

March 13, 2018

The Honorable Ben Carson
Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW, Room 10148
Washington, D.C. 20410

Dana T. Wade
General Deputy Assistant Secretary of Housing
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, D.C. 20410

Re: Extending the Currently Existing Moratorium for Foreclosures on FHA-Backed Mortgages

Dear Secretary Carson and Ms. Wade:

We write on behalf of the homeowners of Puerto Rico to address the agency's efforts to grant relief to families with FHA-backed mortgages on their homes located in Puerto Rico. In Mortgagee Letter 2018-02, the agency announced a 60-day extension of its current 180-day foreclosure moratorium for all FHA Title II forward mortgages located in Presidentially Declared Major Disaster Areas as a result of Hurricane Maria. We believe the agency should include Home Equity Conversion Mortgage (HECM) "reverse mortgage" loans in the current moratorium extension, and not to do so is a mistake that will cause irreparable harm to many elderly homeowners.

As you know, the HECM program has extremely proscriptive guidelines for loan servicers, giving them virtually no discretion about whether to initiate foreclosure proceedings when a borrower defaults. As a result, loan servicers that have been inactive during the moratorium period would be forced to reactivate foreclosure proceedings that were put on hold when the storm hit, as well as potentially initiate new foreclosure actions within a vulnerable population still struggling to recover from a crippling storm. We believe that failing to include the reverse mortgage program in the foreclosure moratorium extension would run counter to HUD's stated goal of delivering much-needed relief to Puerto Rican homeowners, with serious consequences.

Employees from both Blackstone and Finance of America Reverse have traveled to the island to volunteer with aid and rebuilding efforts, and have seen firsthand the devastation Hurricane Maria has caused. The storm has forced seniors in Puerto Rico to navigate confusing systems in order to make insurance claims, as well as take on the additional costs of relying on expensive generators for electricity and acquiring scarce and expensive food and water in order to maintain a minimum quality of life. For these individuals already living on fixed incomes, even moderate increases in daily costs will likely result in sacrifices made in other areas – including paying required taxes and insurance. Seniors unable to pay will be found in default of their HECM loan agreements and servicers would be forced to abide by the rules your agency has set forth.

The HECM program has become an important and necessary tool for seniors to leverage their home equity to improve their quality of life in retirement. Allowing the moratorium for HECM loans to lapse would throw an already vulnerable population into the stressful and expensive foreclosure process.

We request that HUD consider not only including HECM loans in the current moratorium, which is set to expire on May 18, 2018, but to extend the moratorium an additional 12 months. It's important to note that this relief would provide significant benefits to HUD itself. As HUD has previously noted, when foreclosures are prevented, it "not only allows families to retain homeownership, it also significantly reduces the financial impact of foreclosure claims against the FHA Insurance Funds."^[1]

Of course, this relief will also benefit homeowners, as it would allow time for additional improvements to be made to the electrical grid along with increasing access to food, water and basic necessities for those who have remained on the island. Most importantly, it would allow Puerto Rican seniors a better opportunity to continue to recover from the storm without the threat of foreclosure.

Respectfully submitted,

Menes Chee
Blackstone, Senior Managing Director

Kristen Sieffert
President, Finance of America Reverse

[1] https://www.hud.gov/program_offices/administration/hudclips/sfh-superseded/mltrs_full#2005