

Longbridge Financial, LLC

HECM Guidelines

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Introduction

With the publication of Handbook 4000.1 Longbridge defers to the handbook for credit and property underwriting guidelines for all HECMs (Home Equity Conversion Mortgage). However, there are many more regulations to be followed beyond HUD guidelines. This guide is intended to address the additional guidelines and, in some instances, provide clarification to the 4000.1, and identify Longbridge's guidelines in areas that are not addressed in HUD or other federal or state regulations.

Address

LBF requires the use of the United States Postal Service (USPS) address as the subject property address for all documentation, including but not limited to:

- HECM Counseling Certificate
- FHA Case Number Assignment
- Appraisal Logging
- Appraisal report
- Flood Certificate
- Title Report. If the property address is included within the report, it must match the USPS address.
- Note
- Security Instrument (Mortgage/Deed of Trust)
- Loan Agreement

A printout for the street address from the USPS is required for the loan file. If the street address is not a USPS deliverable address, then a USPS printout for a deliverable address is required (e.g., P.O. Box).

ADP Codes

For FHA Case Number Assignments on or after September 30, 2013 the following ADP codes apply.

ADP Description	ADP Code
HECM Fixed	961
HECM ARM	962
HECM Condo Fixed	967
HECM Condo ARM	968

Application

Longbridge considers a transaction to be a loan application when the following nine (9) data elements are obtained by the Loan Officer from the borrower(s), and the borrower(s) have indicated their intent to proceed. Intent to proceed may be provided verbally or in writing. We recognize that RESPA requires 6 data elements; however, for a reverse mortgage to calculate the loan amount/principal limit you must have additional information e.g., date of birth, loan product, and margin/rate.

1. Borrower and Co-Borrower Name, as applicable.
2. Social Security Number (each borrower)
3. Gross Monthly Income (each borrower). Can state \$0.00 but may not be left blank.
4. Subject Property Address. Cannot state "to be determined" for property address.
5. Estimate of Appraised Value
6. Principal Limit (Loan Amount)

Note: There is no field on the 1009 for Principal Limit to be reflected. Upon selecting a product, rate/margin, and entering date of birth for the borrower's, the LOS will calculate the Principal Limit which can be found on the Good Faith Estimate, Comparison of Loan Products (Reverse Mortgage Comparison), etc.

7. Date of Birth (each borrower)
8. Interest Rate (Features)

Note: There is no field on the 1009 for the interest rate but by selecting a loan product and margin/rate the interest rate is calculated and can be found on the Good Faith Estimate, Comparison of Loan Products, etc.

9. Loan Product (Mortgage applied for and Features)

I. Type of Mortgage and Terms of Loan		
Mortgage Applied For	FHA Case No. (HECM)	Loan Case No.
☐ FHA Traditional HECM* ☐ FHA Refinance HECM* ☐ FHA Purchase HECM* \$ _____ Sales Contract Price \$ _____ Land Installment Contract Price \$ _____ Borrower's Investment Other _____ (specify) _____ *Complies HUD-VA Administ. 101-2288-A	Loan Payment Plans ☐ Line of Credit ☐ Term ☐ Modified Term ☐ Tenure ☐ Modified Tenure ☐ Undecided	Purpose of Loan: (Check all that apply) ☐ Additional Income ☐ Home Improvements ☐ Payment of Taxes ☐ Payment of Insurance ☐ Leases ☐ Medical ☐ Extinguish Forward Mortgage Other _____ (Specify) _____
Special Loan Features ☐ Equity Share ☐ LIBOR ☐ ARM Type: _____ ☐ Fixed Rate Type: _____ Other: _____	☐ Other (specify) _____ ☐ Other (specify) _____ ☐ Monthly ☐ Annual ☐ Open End ☐ Closed End Explain: _____	\$ _____ Loan Origination Fee

For any Non-RESPA related items not completed on the 1009, that information must be obtained from the borrower(s) and updated in the LOS so a complete final 1009 is executed at time of closing. Non-RESPA related items include but not limited to:

- I. Type of Mortgage and Terms of Loan – all fields
- II. Primary Residence Property information – all fields
- III. Borrower Information – all fields
- IV. Liens Against the Property
- V. Total Non-Real Estate Debts
- VI. Declarations

The Residential Loan Application for Reverse Mortgages (FNMA Form 1009 5/2010) is the standard application used for HECMs. The 1009 includes 2 addendums: Demographic Information Addendum (FM 1009-DIA) and Addendum to Residential Loan Application FNMA Form 1009 (FM 1009 Addendum).

The information the Loan Officer inputs onto this form must be obtained directly from the borrower(s) or borrower(s) representative i.e., Power of Attorney or Guardian/Conservator. Once all required data elements and intent to proceed are received this is an application according to RESPA and a Good Faith Estimate and other required disclosures, TALC, Truth-In-Lending, Servicing Disclosure Statement, etc. must be generated and provided to the borrower(s) within 3 business days. See the Good Faith Estimate section of this guide. If the initial 1009 is missing any of the required data elements but a Good Faith Estimate was generated, then the application is not compliant and must be rejected.

Demographic Information Addendum

If the borrower(s) choose not to disclose their Sex, then the information must be taken from the Borrower's driver's license or state issued identification card and completed in the LOS. The sex is a HMDA required reporting data field, so completion is required. If the borrower(s) choose not to disclose his/her race or ethnicity, on the FNMA 1009-DIA and the application was taken face to face (includes electronic media with video component) then the Loan Officer must fill in this information to the best of his/her ability based on the surname and visual observation.

New York

A Loan Officer may not take a loan application over the telephone. All other means of taking a loan application may be used i.e., internet, mail, fax, email, or skype. Applications taken via video conferencing with 2 way visual and audio functions, (such as Zoom, Face Time, Skype) are considered a face-to-face application under ECOA and HMDA and are permitted in New York, and this should be reflected on the 1009 Demographic Information Addendum. A Good Faith Estimate may not be generated and provided to the borrower(s) prior to the Loan Officer having the required data elements for an application and the borrower's intent to proceed. See Good Faith Estimate for complete guidelines on issuing a GFE.

Note: An application taken over the telephone will not be accepted under any circumstances.

After submission of Application

Once the Application package is signed by the borrower(s) there is a 3-day cooling off period. This is the first 3-day cooling off period in NY, and in that period, the borrower(s) cannot be required to sign a commitment or in any way proceed with the loan. However, if borrower(s) have signed and returned the *NY Consumer Credit Report Disclosure* that was included in the Proposal package, then a credit report may be ordered. Also, if we have received the completed & fully executed HECM counseling certificate we can order FHA Case Number. Please keep in mind that any services ordered in that 3-day time frame cannot be charged to the applicant should the applicant decide not to continue with the loan. During the cooling off period an Automated Valuation Model (AVM) and preliminary title search may be ordered. The 3-business day wait cannot be waived.

Note: FHA guidelines require the credit report fee be collected at time of loan closing only.

For application taken by mail, fax, internet, email, or video conferencing we must provide a stamped, self-addressed return envelope and written request that the borrower(s) sign and return one copy of the application package. If the doc package is E-Signed or hand-delivered and signed in person, the envelope does not have to be provided. Upon receipt of the borrower signed application package the Loan Officer must sign 1009 and any other disclosures, and a copy of the fully executed application package must be sent to the borrower(s).

Application Package - State Specific disclosures

- Counseling Checklist
- Counseling Statement Disclosure (Notice of the initial 3 Day Cooling off Period)
- Additional Disclosures for NY HECM Reverse Mortgage Borrowers
- NY Schedule of Estimated Payments Disclosure
- NY Consumer Credit Report disclosure. **Must be signed & dated by borrower(s) and Eligible NBS, as applicable before** credit is ordered, no exceptions. Borrower(s) providing verbal authorization to order credit is not permissible.
 - A credit report for an Eligible NBS (ENBS) is only required when we are using his/her income as a compensating factor or to reduce family size.

Note: If the credit report disclosure was signed & dated by the borrower(s) and ENBS as applicable prior to pulling the credit report it does not need to be executed again at time of application. It will continue to populate in the application package due to not knowing at one point in the process credit will be pulled.
- NY Third Party Designation. **Borrower must check the box if they do or do not wish to provide a 3rd party designation.** If they do wish to provide, they must also complete name of Designee, Address & Phone # for up to 6 Designees.
- NY Interest Rate Lock Timing Disclosure
- NY Borrower Closing Attorney Selection Form. Borrower(s) must have their own legal representation at time of loan closing. Borrower attorney being present via Zoom, Skype, Teams, etc. meeting is not acceptable.
- Pre-Application Disclosure and Fee Agreement - either A **or** B **or** C is required. To be signed by the Loan Officer and Borrower(s), as applicable.
 - A. *Pre-Application Disclosure Fee Agreement Lender*. This form is required for Retail.
 - B. *Pre-Application Disclosure Fee Agreement Broker*. This form must be provided by Broker with a NYS Mortgage Broker License
 - C. *Pre-Application Disclosure Fee Agreement Mortgage Lender/ Exempt Entity Acting as a Broker*. This form will be provided by any Exempt Entity (i.e., federally chartered bank) or Mortgage Lender **acting as** a Mortgage Broker in NY.

Note: All fees, application, appraisal, credit report, as applicable, are to be complete before providing to the borrower(s). If corrections need to be made after being sent to the borrower(s) then corrections must be initialed by the borrower(s).
- Acknowledgment for Electronic Communication.
 - The borrowers and NBS, as applicable must agree to receive electronic

communications as evidenced by a **borrower(s) and/or NBS electronic or wet/ink signature**.

- It is not mandatory for the borrower and/or NBS to allow Electronic Communications and if they don't wish to receive Electronic Communications, then this form should not be executed.
- If the borrower(s) and/or NBS, as applicable, don't have computer capacity and the ability to download and print all disclosures, then this form should not be signed.
- New York Receipt of Duplicate Application Package, Request for Signatures and Return of One Copy
 - **Two copies of the Application Package must be provided to the borrower(s),** along with a stamped, self-addressed return envelope and written request that the applicant sign and return one copy of the disclosures. If the package is E-Signed or hand delivered and signed in person, the envelope does not need to be provided.
 - **For applications taken by mail or fax the LO must sign the 1009 and all applicable disclosures upon receipt of the borrower signed application package. Upon the LO signing the 1009 and other disclosures a copy of the fully executed application package must be sent to the borrower(s).**
 - **For mail or fax applications a Good Faith Estimate is not to be provided with the initial application package as the LO does not have the required data elements for an application therefore a GFE cannot be generated. See our HECM Underwriting Guidelines for the list of data elements.**
 - **Once the LO signs the 1009 the GFE, GFE Acknowledgement, and the Notice of Intent to Proceed with Loan Application must be generated and sent to the borrower(s) within 3 business days along with the copy of the fully executed application package. Borrower(s) must complete, as applicable, sign, and date the GFE Acknowledgement and the Notice of Intent to Proceed and return them prior to closing.**

Final and Complete Application Definition

For Regulation B purposes, a "completed application" date is the date on which a loan decision can be made by a DE Underwriter. LBF defines this as the date the following items have been received:

- The written application, and
- The counseling certificate, and
- The appraisal, and
- Title report, and
- Income documentation, and
- Credit report, and

- Property charge payment history.

The latest date of receipt of any of these items if they are not submitted together.

The loan request must be approved, cancelled, or denied within 30 days of a “completed application” date.

Re-Application Requirements

The following guidelines apply to situations when a new loan application is required, and when the initial application can continue.

Borrower removes him/herself from loan

When a borrower chooses to remove him/herself from the loan after the initial application, a new application and loan number are required, and a new credit report must be obtained referencing only the remaining borrower. Any existing services that have not expired may be used for the new loan including the appraisal, and counseling certificate.

Under certain circumstances the initial application can continue to be processed when one of the following situations occur:

Death of a borrower

A borrower or co-borrower dies during the processing of the loan prior to closing. A death certificate must be provided and added to the file. The settlement agent or title company must state in writing that the deceased party can be removed from title at closing without probate and confirm if a new deed to update vesting is required.

Co-Borrower added after Initial Application

The new co-borrower must sign all existing application documents and disclosures required for initial application. The application must be dated with the date that the co-borrower signs the application and not the date the original borrower executed their 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.

The Co-borrower must receive counseling and provide a fully executed certificate.

Good Faith Estimate (GFE)

The timing of when a GFE can be generated is based upon how the application is taken. Applications may be taken telephone, face to face, video conferencing with 2-way visual and audio, mail, fax, email, or Internet.

Note: Telephone applications **are not** permitted in New York.

When all data elements and intent is received over the telephone, email, or internet, the LO's application date is that day, application disclosures including a GFE can then be mailed, electronically delivered if borrower's have signed the Acknowledgement of Electronic Communications, or hand

delivered to the borrower(s). The borrower(s) should date the documents the day that he/she/they execute same. For applications taken in this manner, the signature dates of the LO and borrower(s) can be different.

When an application is taken face-to-face (all data elements and intent not received over the phone) then the GFE should not be included with the application docs. The application date for LO and borrower(s) is the date of the face-to-face interview. After the data is received, LO/Loan Opener should then print a GFE and send it to the borrower(s). If the LO can print documents during the face-to-face interview than a GFE can be issued the same day. If the LO does not have the ability to print documents during the face-to-face interview, then the GFE cannot be generated. The GFE must be issued within 3 business days of the application date.

When an application is taken via video conferencing with 2-way visual and audio functions such as Zoom, Skype, Face Time, are considered a face-to-face application under ECOA and HMDA and are permitted in New York, and this should be reflected on the 1009 Demographic Information Addendum. The LO will sign & date on the day he/she received the data elements, and the borrower(s) signature date can be after the LO date. For applications taken in this manner, the GFE can be generated with the application package and then be mailed, electronically delivered if borrower's have signed the Acknowledgement of Electronic Communications, or hand delivered to the borrower(s).

A GFE cannot be generated with a mail or fax application since data elements have not been obtained. Not until the LO receives all data elements, only then can the GFE be issued. See the Application section of this guide for required data elements. Upon receiving the completed and borrower signed application package, the LO will sign the 1009 and any other applicable loan disclosures. Once the LO signs the 1009, the GFE, GFE Acknowledgement, and the Notice of Intent to Proceed with Loan Application must be generated and sent to the borrower(s) within 3 business days.

Borrower(s) must complete, as applicable, sign and date the GFE Acknowledgement and the Notice of Intent to Proceed and return them prior to closing.

Note: For New York loans application taken by mail or fax a copy of the complete and signed application package must be sent to the borrower's when GFE is issued.

The Date of GFE will be used to validate RESPA compliance based on how the application was taken.

GFE's printed prior to application or outside of the three-day window is considered an incurable error and the file cannot proceed.

A GFE is not required if before the end of the three-business-day period the application is denied, or the borrower(s) withdraw the application.

The GFE must be included in all loan submissions. Any cross outs, white outs, etc. must be initialed by the borrower(s), and an explanation from the borrower(s) is required.

The GFE does not have to be signed, however the borrower(s) are to complete, sign & date the Acknowledgement of Receipt of the Good Faith Estimate and Other Disclosures.

Origination Fee

The loan origination fee limit shall be the greater of \$2,500 or 2% of the maximum claim amount of \$200,000, plus 1% of any portion of the maximum claim amount that is greater than \$200,000. Fees for services performed by a sponsored third-party originator may be included as part of the loan origination fee. The total amount of the loan origination fee may not exceed \$6,000.00.

Kentucky

The total amount of compensation earned by an originator must not exceed the greater of \$2,000 or four percent (4%) of the total loan amount at closing.

To determine the loan amount, take the gross principal limit and subtract the origination fee and broker compensation, add back in any lender and/or broker credits.

The origination fee cap applies to any fee, income, or compensation of any kind that is collected and/or charged by an originator. This includes but is not limited to:

- Origination fee
- Yield Spread Premium/Broker Compensation

New York – Broker loans ONLY

Broker Compensation **cannot** exceed 3% of the final appraised value of the Property at the time of closing. This includes origination fees paid to a Broker by the borrower(s) and Lender paid compensation.

Fee Restrictions in NY

Only fees that are expressly permitted by Part 79 can be charged:

At time of application (and at no time prior to application), after the 3-day cooling off period has lapsed, lender or broker may charge when properly disclosed:

- Appraisal fee

Borrower(s) can only pay for one Appraisal. When a 2nd appraisal is required:

Refinance – The Broker or Lender may pay for second Appraisal.

HECM for Purchase – Longbridge to contact FHA Resource Center to request a waiver. FHA has advised they will handle waivers on a case-by-case basis.

At time of closing (and at no time prior) lenders or brokers may charge when properly disclosed:

- Loan Origination fee,
- Credit report,
- Doc Prep fee,
- Title fees,
- Tax Lien search fee,
- Payment to discharge any existing liens,
- Recording fees,
- Attorney's fees (Lender and borrower),
- Flood Certificate,
- Cost of inspection(s), as applicable, paid in connection with origination of the loan but not after loan closing. Payment for repairs, but NO fees (Repair Admin Fee or Re-inspection fee), may be charged for establishment of repair set aside account,
- Payment of taxes and insurance but NO fees may be charged for establishment of LESA,
- Broker fees not to exceed three percent, see above.

Fees that cannot be charged to Borrower(s):

- Courier fees,
- Mail fees, or
- MERS fee.

Truth-In-Lending Disclosure

The federal Truth-in-Lending Act - or "TILA" for short – requires that borrower(s) receive written disclosures about important terms of credit **before** they are legally bound to pay the loan. The Truth-In-Lending disclosure is provided to the borrower(s) at time of loan application.

The Mortgage Disclosure Improvement Act requires the following:

- Timing of Closing – No loan can close before the seventh (7th) business day after borrower(s) have been issued "initial disclosures."
- Redisclosure of the TIL (Fed Box Disclosure) is required when the Annual Percentage Rate (APR) increases by more than 1/8 (0.125). A 3-day waiting period applies prior to closing.
- Collecting of Upfront Fees – Fees cannot be collected until the "initial disclosures" have been received by the borrower(s).

Anytime the Product changes from an ARM to Fixed, the loan must be redisclosed and a 7-day waiting period applies prior to closing.

For an Adjustable-Rate loan, the TIL is the HECM Disclosure (Application Truth-In-Lending Disclosure) Important Terms.

Valid Change of Circumstance (VCC)

When a Good Faith Estimate or other loan terms change then Longbridge Financial, LLC will re-disclose the terms based on the valid change circumstance.

Retail Process

When a Good Faith Estimate or other loan terms change then we will re-disclose the terms based on the valid change circumstance. The Processor will update the Fee screen, and then issue the re-disclosures to the borrower(s).

The Valid Change of Circumstance form will print as part of the re-disclosure package, and it must be completed in its entirety, should never be left blank, only reflect the fees associated with the changed circumstance, and include the following:

- The fee name(s) (e.g., Mortgage Insurance, Recording Fee, Transfer Tax, etc.),
- The previous fee amount, as disclosed on the most recent GFE,
- The new fee amount of the charge as listed on the revised GFE, and
- The reason(s) the GFE is being re-disclosed with updated fees and/or terms i.e., appraised value, natural disaster, repairs, inspections, change in margin, etc.).

Note: We may only update or add fees that are affected by the change.

For example, Estimated appraised value \$400,000 and actual appraised value \$425,000. The higher value will affect the title insurance premium, and if applicable City/County tax/stamps deed.

Broker/PAA Process

When a Good Faith Estimate or other loan terms change then Longbridge Financial, LLC will re-disclose the terms based on the valid change circumstance fee sheet provided to us.

The Broker/PAA partner must provide their LBF Pipeline Coordinator with a completed VCC sheet within 3 days of being notified of the change. Form must be completed in its entirety. Any fees that need to be adjusted need to be included. Only fees affected by the change can be updated. The reason(s) the GFE is being re-disclosed with updated fees and/or terms. For example, the borrower has elected to change the margin, that is the valid change circumstance.

LBF will update the Fee screen, generate the re-disclosure package, complete the Valid Change of Circumstance, and email the re-disclosure package to the partner for distribution to the borrower(s).

The Valid Change of Circumstance form will print as part of the re-disclosure package, and it must be completed by the Pipeline Coordinator and include the following:

- The fee name(s) (e.g., Mortgage Insurance, Recording Fee, Transfer Tax, etc.),
- The previous fee amount, as disclosed on the most recent GFE,
- The new fee amount of the charge as listed on the revised GFE, and
- The reason(s) the GFE is being re-disclosed with updated fees and/or terms i.e., appraised value, natural disaster, repairs, inspections, change in margin, etc.)

Note: We may only update or add fees that are affected by the change.

For example, Estimated appraised value \$150,000 and actual appraised value \$200,000. The increased value will affect the Lender's Title Insurance Premium, and if applicable City/County tax/stamps deed.

New York

When a re-disclosure package is generated, it will include the standard documents PLUS the following:

- Additional Disclosures for New York HECM Reverse Mortgage Borrowers
- NY Schedule of Estimated Payments Disclosure
- NY Receipt of Redisdisclosure Package, Request for Signature and Return of One Copy

The re-disclosures must be signed by the borrower(s) and returned to Longbridge prior to loan closing.

For Broker loans at time of initial submission of the loan to Longbridge, we will generate a re-disclosure package, and this package **does not** need to be signed and returned to Longbridge.

Fixed Rate loans Truth-In-Lending (TIL) Re-disclosure Tolerance

The TIL will be re-disclosed if:

- The change in APR is more than **+0.125%** of the amount quoted to the borrower(s) in the last Truth in Lending (TIL) statement; or
- The finance charge has increased by more than \$35.00 on transactions that are subject to rescission; or
- The finance charge has increased by more than \$100.00 on transactions that are NOT subject to rescission.

IMPORTANT: Re-disclosure of the TIL triggers a three-to six business day waiting period. We will **ONLY re-disclose the TIL if the loan is out of tolerance.**

When changing from an ARM to a Fixed there is a 7-business day waiting period before the loan can close.

Form 4506-C

The borrower(s) and Non-Borrowing Spouse must execute the form, but it only needs to be processed at the lender's discretion. It must be executed by all person(s) appearing on the federal income tax return. The borrower(s) address must match the address on the most recent federal income tax return(s).

The IRS has changed the 4506-T to the 4506-C IVES Request for Transcript of Tax Return. This change is part of the IRS's ongoing efforts to protect tax-payer data. Longbridge will continue to process the form in the same manner through First American Mortgage Solutions Verification Gateway. When processing is necessary, and the borrower(s) have signed the 4506-C with an electronic signature, the Certificate of Completion from the electronic signature provider is also required.

Processing Form 4506-C

Longbridge will complete processing of the 4506-C to obtain tax transcripts from the IRS in the following instances:

- Tax returns are self-prepared.
- Tax returns are completed by hand.
- Declining self-employment income, and Profit and Loss statement is not audited.
- Discrepancies are found on provided tax returns.
- Amended Tax return(s).
- Tax returns provided for multiple prior years were recently filed e.g., prior to or after application.
- Underwriter discretion.

Commitment Letters

There are states that require a Lender to issue a commitment letter to the borrower(s) and they may or may not include a cooling off period to be applied after the date the borrower(s) execute the cooling off disclosure and/or commitment letter to when the loan can close.

District of Columbia

We must provide the borrower(s) with a Lender executed Financing agreement at least 72 hours prior to closing. 3 **CALENDAR** Day cooling off from the day the borrower(s) execute/date Commitment & Financing Agreements. **The first day of the cooling off period is the day after the borrower's execution of the Financing Agreement & Commitment.**

Illinois

State law requires that we provide the borrower with a written commitment. The cover letter & commitment letter must be signed & dated, by the borrower(s) and returned to the lender. We must provide 3 full business days cooling off period that starts the day **after** the borrower's date the cover & commitment letters. **The first day of the cooling off period is the day after the borrower's execution of the Cooling Off & Commitment.**

Illinois State law requires a 3-day cooling-off period for reverse mortgage loans, during which time a potential borrower cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrowers with 3 business days to consider their decision whether to secure a reverse mortgage or not. Potential borrowers may want to seek additional information from a reverse mortgage counselor during this 3-day period. The 3-day cooling-off period cannot be waived.

Louisiana

State law requires that we provide the borrower(s) with a written commitment. The commitment letter must be signed & dated, by the borrower's and returned to the Lender.

Maryland

We must provide the borrower with a Lender executed Financing Agreement within 10 business days after the date the loan application is completed. The Financing Agreement is a part of our application package. The state of Maryland requires the Financing Agreement to include the following:

- The term and principal amount of the loan,
- An explanation of the type of mortgage loan being offered,
- The rate of interest that will apply to the loan and, if the rate is subject to change or is a variable rate or is subject to final determination at a future date based on some objective standard, a specific statement of those facts,
- The points, if any, to be paid by the borrower, **AND**
- The term during which the financing agreement remains in effect.

Since the terms identified in the Financing Agreement are subject to change or determination after its execution the Lender shall provide the borrower(s) with a Lender executed Commitment Letter at least 72 hours before the time of settlement agreed to by the parties. 3 CALENDAR day cooling off from the day the borrower(s) execute/date Commitment & Financing Agreements. **The first day of the cooling off period is the day after the borrower's execution of the Cooling Off & Commitment.**

Once the borrower(s) have executed the Financing Agreement they may waive, in writing, the 72-hour advance presentation requirement. The lender must document why it's not feasible to meet the 72-hour requirement, therefore, the written waiver from the borrower must clearly identify the reason why they are waiving the requirement. There must be a strong reason why we are permitting it to be waived. i.e., property is in foreclosure with a pending sale date, appraisal will be expiring. If the reason provided by the borrower is in question than escalate the file to the Underwriting Manager. If a waiver is permitted, providing the Lender executed Commitment Letter at time of closing is required.

Massachusetts

State law requires that we provide the borrower(s) with a written commitment. The cooling off disclosure & commitment letter must be signed & dated, by the borrower's and returned to the lender. We must provide a 7-calendar day cooling off period that starts the day after the borrower's date the disclosure & commitment letters. **The first day of the cooling off period is the day after the borrower's execution of the Cooling Off & Commitment.**

Massachusetts State law requires a 7-calendar day cooling-off period for reverse mortgage loans, during which time a potential borrower cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrowers with 7 calendar days to consider their decision whether to secure a reverse mortgage or not. Potential borrowers may want to seek additional information from a reverse mortgage counselor during this 7-day period. The 7-day cooling-off period cannot be waived."

Minnesota

State law requires that we provide the borrower with a written commitment. The cooling off disclosure & commitment letter must be signed & dated, by the borrower(s) and returned to the lender. We must provide a 7-calendar day cooling off period that starts the day **after** the borrower(s) dates the cooling off disclosure & commitment letter. **The first day of the cooling off period is the day after the borrower's execution of the Cooling Off & Commitment.**

Minnesota State law requires a 7-calendar day cooling-off period for reverse mortgage loans, during which time a potential borrower cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrower(s) with 7 calendar days to consider their decision whether to secure a reverse mortgage or not. Potential borrowers may want to seek additional information from a reverse mortgage counselor during this 7-day period. The 7-day cooling-off period cannot be waived.

New York

For all **refinance** transactions a commitment letter must be issued. We cannot issue a commitment for a HECM until the loan has been underwritten and approved.

For a **Refinance**, # 1 - 4 below must be sent to the borrower(s).

For a **HECM for Purchase**, # 2 - 4 must be sent to the borrower(s).

The borrower(s) must be provided with a copy of the complete approval package so 2 packages will need to be generated with one copy being left with the borrower(s).

1. Commitment Agreement and Setting of Prevailing Rate
 - Except for Purchase transactions, a Commitment **must be** issued in NY.
 - The date that the borrower(s) signs the Commitment must be no more than 6 months from the Counseling completion date. If more than 6 months old, borrower(s) and any Non-Borrowing Spouse must be re-counseled, no exceptions. The commitment letter must be signed by Longbridge before it is sent to the borrower(s).

- We must give a second 3-day cooling off period (CANNOT BE WAIVED) that will begin on the date the borrower(s) signs the commitment, we must wait 3 **business** days (**defined in NY as any day of the week except Saturday Sunday and New York State legal holidays, see below for list of NY holidays**) before we can close. This is also called the “3 day Right to Cancel”. Once the borrower(s) accepts the commitment in writing, they can cancel and not close, but they will still be responsible for fees actually paid to third parties.
- This 3-day Right to Cancel **is not** the same as a 3-day Right of Recission. The Right of Recission is a federal regulation for any refinance transaction once closing documents are executed.

NOTE: If there are **material changes** to the terms of the Commitment, a new Commitment **must be** provided to the borrower(s) and **a new three-day cooling off period begins.**

Example of material change: flood insurance added, repair set aside added, LESA added.

- NY Important Notice Regarding Right to Cancel
- NY Limit on Excess Hazard Insurance Disclosure
- NY Receipt of Duplicate Approval Package, Request for Signatures and Return of One Copy.

NY Loan Approval Expiration

New York Notice of Expiration of Commitment, when applicable, must be provided to borrowers not less than 12 business days but not more than 20 business days prior to the expiration of any Commitment issued.

In lieu of this, a new Commitment may be issued which extends the expiration date (and a New 3-Day cooling off period would begin) **if the new Commitment is issued within 12 business days prior to expiration of the Commitment.** Please note that Commitment must be signed within 6 months of the counseling date or the Borrower(s) and any Non-Borrowing Spouse, as applicable, will have to be re-counseled, no exceptions.

Utah

State law requires that we provide the borrower with a written commitment. The cooling off disclosure & commitment letter must be signed & dated, by the borrower(s) and returned to the lender. We must provide a **5-calendar** day cooling off period that starts the day **after** the borrower’s date the disclosure & commitment letter. **The first day of the cooling off period is the day after the borrower’s execution of the Cooling Off & Commitment.**

Utah State law requires a **5-calendar** day cooling-off period for reverse mortgage loans, during which time a potential borrower cannot be required to close or proceed with the loan. The

purpose of this requirement is to provide potential borrowers with 5 calendar days to consider their decision whether to secure a reverse mortgage or not. Potential borrowers may want to seek additional information from a reverse mortgage counselor during this 5-day period. The 5-day cooling-off period cannot be waived.

Vermont

The state of Vermont requires that we provide a lender signed commitment letter to the borrower(s) at least 3 business days (Sunday & legal public holidays do not count as a business day) prior to loan closing.

HECM Counseling

Disclosures Required Prior to Counseling

California

California regulations state that a reverse mortgage loan application shall not be taken unless the loan applicant, PRIOR TO RECEIVING COUNSELING, has received from the HECM Counselor or the Loan Originator the Important Notice to Reverse Mortgage Loan Applicant and the Reverse Mortgage Worksheet Guide.

For case transfers, the counseling certificate, and disclosures the borrower(s) received from their prior lender or the HECM Counselor are required before the Loan Officer can take an application. If the disclosures are not dated prior to the date counseling was completed, then the borrower(s) must be re-counselled.

If the prospective borrower(s) received counseling prior to receiving the disclosures and is not re-counseled, then the Loan Officer may not take the loan application.

When the borrower(s) received counseling Face to Face the Borrowers and the Counselor must sign & date the RM Worksheet Guide. Regardless of how counseling is received the executed RM Worksheet guide must be in the file at time of Underwriting for the DE Underwriter to approve the loan.

If the borrower(s) were counseled PRIOR to meeting with the Loan Officer than the disclosures provided by the HECM Counselor to the borrower(s) are required.

New York

When a borrower has elected to proceed with a HECM, the Originator must provide the borrower(s) with a Counseling Packet. We include the below documents in our Proposal Package in both LOSs:

- Counseling Checklist
- Additional Disclosures for NY HECM Reverse Mortgage Borrowers
- Counseling Statement Disclosure (Notice of the initial 3 Day Cooling off Period)
- NY Schedule of Estimated Payments Disclosure

- NY Consumer Credit Report disclosure- **must be signed & dated by the borrower(s) and Eligible NBS (ENBS), as applicable BEFORE credit is ordered, no exceptions.**
 - A credit report for an ENBS is only required when we are using his/her income as a compensating factor or to reduce family size.
- List of Approved Counselors.
- Pre-Application Disclosure and Fee Agreement - either A or B or C is required. To be signed by Loan Officer and Borrower(s), as applicable.
 - A. Pre-Application Disclosure Fee Agreement Lender. This form is required for Retail.
 - B. Pre-Application Disclosure Fee Agreement Broker This form must be provided by Broker with a NYS Mortgage Broker License
 - C. Pre-Application Disclosure Fee Agreement – Mortgage Lender/Exempt Entity Acting as a Broker. This form will be provided by any Exempt Entity or a Lender acting as a Mortgage Broker in NY.

Note: All fees, application, appraisal, credit report, as applicable are to be complete before providing to the borrower(s). If corrections need to be made after being sent to the borrower(s) then corrections must be initialed by the borrower(s).
- Acknowledgment for Electronic Communication. The borrowers must agree to receive electronic communications as evidenced by **a borrower(s), NBS, as applicable electronic or a wet/ink signature.**
 - It is not mandatory for the borrower/NBS to allow Electronic Communications and if they don't wish to receive Electronic Communications, then this form should not be executed.
 - If the borrower(s) and/or NBS, as applicable, don't have computer capacity and the ability to download and print all disclosures, then this form should not be signed.
- New York Receipt of Duplicate Proposal Package, Request for Signatures and Return of One Copy
 - **Two copies of the Proposal Package must be provided to the applicant,** along with a stamped, self-addressed return envelope and written request that the applicant sign and return one copy of the disclosures. If the package is E-Signed or hand delivered and signed in person, the envelope does not need to be provided.

Note: Disclosures for an NBS are no longer included in the Proposal Package. They will be part of an application package when necessary.

We will validate via the prepared/print date that the above disclosures were provided to the borrowers/NBS prior to counseling. If a prepared/print date is not present, then borrower/NBS signature date will be used to validate compliance with being provided prior to counseling.

If all the above disclosures are not provided prior to counseling, then loan is not compliant with NY regulations and will not be accepted. Exceptions are not permitted.

Counseling Prior to Application

There are states that have a requirement for HECM counseling to occur prior to application. The individual state requirements are below.

In these states, that HECM application may be taken any day after the date counseling was completed.

Minnesota

Prior to accepting a final and complete application for a reverse mortgage or charging any fees, a Lender or TPO must:

- Refer the borrower to an independent housing counseling agency. The Lender or TPO must provide the prospective borrower with a list of at least 3 independent housing counseling agencies; and
- Receive a certification from the applicant or applicant's representative that the applicant has received counseling.

The certification must be signed by the applicant(s) and the counselor and must include the date of the counseling, the name, address & Phone number of both the applicant and the counselor.

Minnesota Length of Counseling Session Requirement

The amount of time to complete the HECM counseling session must be no less than 60 minutes. The amount of time it took to complete counseling is noted on the HECM Counseling Certificate HUD-92902.

Tennessee

Prior to accepting an application for a home equity conversion mortgage, the Lender or TPO must refer the borrower to a counselor and must receive certification from the counselor that all borrowers have received counseling.

Vermont

Prior to accepting an application for a reverse mortgage loan, a lender or TPO must:

- Refer the borrower to counseling from an organization that is a housing counseling agency approved by the US Department of Housing and Urban Development; and
- Receive certification from the counselor that the borrower has receiving in person face-to-face counseling.

Telephone counseling may be provided by counseling agencies that are authorized by the Department of Financial Regulation if the borrower cannot or chooses not to travel to a counselor and cannot be visited by a counselor in the borrower's home.

The certificate must be signed by the borrower's and the counselor and include the date of counseling, the name, address, and telephone number of both the borrower and organization providing counseling.

Counseling Delivery Methods

Face-to-Face Counseling

Counselors should make every effort to provide HECM counseling on a face-to-face basis, which allows for greater participation by the borrower(s) and allows the Counselor to more accurately determine that the borrower(s) understands the program.

California – Counselors are required to provide face to face counseling unless the borrower(s) elect to receive counseling in another manner. The HECM Counseling Certificate will reflect if the borrower(s) choose to receive face-to-face, or telephone.

Massachusetts – Counseling may be completed face-to-face, synchronous real time video conference, or telephone.

Vermont – The State of Vermont requires face to face counseling session. However; if the borrower(s) chooses not to travel to a Counselor and cannot receive an in-home visit from a counselor than telephone counseling is acceptable provided that the counseling agency is authorized by the Department of Financial Regulation.

Telephone Counseling

Telephone counseling is an alternative when face to face counseling is not feasible.

Telecommunication Device for the Deaf (TTD Services)

Borrower(s), NBS, or NBO who are mentally competent but have a hearing impairment must still be counseled. The borrower(s) will need to locate a Counselor who provides this service.

Counseling Timing

FHA Connection, Case # Assignment, and Application

- In all states, all individuals required to receive counseling must receive counseling prior to an FHA Case # being issued. A lender may not obtain an FHA Case # unless they have a loan application for borrower(s) and property. The property address on the loan application may not be To Be Determined (TBD).
- If the case # is ordered prior to counseling or the application is dated after case assignment, the case # is not valid and will need to be cancelled and a new case # obtained.
Note: For a Case transfer the application date can be after the case # assignment date. The case transfer will need to be documented in the file.
- *New York* – HECM counseling **no more than 180 days** can elapse **from the date counseling was completed to the date the borrower(s) signs the commitment** or borrower(s) will have to be re-counseled. **No exceptions.**
- *Rhode Island* – Loan closing must occur within 180 days of the borrower(s) and NBS, as applicable, signature date on the counseling certificate. If closing does not occur within the 180-day period then borrower(s) and NBS, as applicable, must be re-counseled.

- *Texas* – HECM counseling cannot be completed more than 180 days prior to the closing date. While FHA will allow closing to occur after the expiration date Texas law requires the loan to close by the 180th day after counseling was completed. In addition, counseling cannot be completed less than 5 days prior to closing.
- The counseling certificate number and date counseling was completed must be completed on the Case # assignment.
Note: For New York the date counseling completed must be **after** the borrower(s) received the Counseling packet.
Note: Except in NY, RI, and TX a loan may close with an expired counseling certificate permitting that an application was taken and the FHA Case # was assigned prior to the counseling certificate expiring.
- FHA updated Handbook 7310.1 Housing Counseling Program to include length of time for a counseling session to be completed and it's expected to be no less than 60-90 minutes to complete a comprehensive counseling session.

Counseling Certificate

- All individuals required to receive counseling must sign & date the counseling certificate.
- A copy of the fully executed certificate is required at time of underwriting.
- The certificate must reflect the borrower(s) name(s), Non-Borrowing Spouse, Non-Borrowing Owner, Power of Attorney, or Guardian/Conservator, as applicable, and the correct address,
- The borrower(s) and Non-Borrowing Spouse name(s), as applicable, on the counseling certificate must match to title vesting, and the FHA Case # assignment.
 - When NBS does not have a vested interest in title and will not have a vested interest after loan closing, then Longbridge recommends that NBS name on Counseling Certificate and Case # match to the NBSs name on his/her Social Security Card.
- Slight variations in property address are acceptable, and
- The completion date on the certificate must match the data inputted into FHA Connection.

Note: The State of California requires a 7-day cooling off period from the date HECM counseling was completed to FHA Case Number Assignment date. **The first day of the cooling off period is the day after HECM counseling was completed.** The required Cooling off period cannot be waived by the Borrower(s).

Massachusetts

The state of Massachusetts has a requirement that a lender may not make a reverse mortgage loan to a borrower unless the borrower affirmatively opts in writing for the reverse mortgage. We must meet this requirement by providing the MA opt in form to the borrower(s) upon receipt of a fully executed HECM Counseling certificate.

Upon receipt of a fully executed HECM counseling certificate, the disclosure entitled "Important Information for Elder Homeowners Is a Reverse Mortgage Right for you?" must be sent to the borrower(s) to be signed & dated. **The disclosure must be signed and dated by borrower(s) AFTER receipt of the fully executed counseling certificate and must be in the package at time of submission to Underwriting to issue a loan approval.**

Counseling Dates

There are 2 (two) dates used when discussing HECM counseling:

1. Date counseling completed – for states where applications must be taken after counseling, this is the date used to determine compliance with that requirement.
2. Borrower(s) Signature & Date – this date is used to determine when services can be ordered. Services (appraisal and flood certificate) resulting in a cost to the borrower(s) that are ordered prior to this date cannot be charged to borrower(s).

List of HUD Approved Counseling Agencies

A Lender/TPO must provide each prospective Borrower with a list of the names, addresses, and telephone numbers of Participating Agencies eligible to provide HECM counseling that includes:

- All HUD approved Intermediaries listed on the HUD Intermediaries Providing HECM Origination Counseling Nationwide.
- Participating Agencies that provide telephone counseling; and
- At least five (5) Participating Agencies located in the prospective borrower's state or locality, including at least one (1) local agency within a reasonable driving distance of the prospective borrower's residence for face-to-face counseling.

In cases where HECM counseling is not available in the local area or state, we must determine which Participating Agencies are most conveniently located to the Borrower and provide a listing of at least five (5) Participating Agencies. Currently our LOSs (QR & RV) will populate the closest five (5) agencies based on the subject property zip code.

The Borrower must be informed that it is the Borrower's responsibility to initiate communication with a Participating Agency to schedule counseling without the assistance of the Lender/TPO.

While FHA states within the guidelines that we are not required to provide the borrower with a list of Participating Agencies if the borrower received counseling prior to contacting the lender/ TPO as evidenced by an unexpired signed and dated HECM Counseling Certificate, we are advising that the list must always be provided to the borrower based on state guidelines. States that require the list to be provided include but are not limited to:

Arizona, California, Connecticut, Hawaii, Indiana, Louisiana, Minnesota, New York, North Carolina, Tennessee, Utah, Vermont, and Washington.

The list of HUD counseling agencies is included in the proposal and application packages in Quantum Reverse and Reverse Vision and it's a best business practice to provide it to the Borrowers regardless of when HECM counseling is completed.

Restrictions on Processing of Application before completion of HECM counseling

Refer to Handbook 4000.1 for HECM guidelines on processing the loan application and processing the loan application prior to receiving an executed and dated HECM counseling certificate from all individuals required to receive HECM counseling.

California

The state of California prohibits a Lender/TPO from accepting a “final and complete” application from a prospective applicant or assessing any fees upon a prospective applicant until the lapse of seven (7) days from the date of counseling was completed. However, this does not prohibit a lender from accepting initial or preliminary applications before the seven (7) day period expires. **The first day of the cooling off period is the day after HECM counseling was completed.**

A lender may accept an initial application, but we may not process the application other than undertaking specified activities before the expiration of the cooling off period. A lender may perform any of the following activities before the expiration of the cooling off period.

- 1) Explain the reverse mortgage to the prospective applicant.
- 2) Order a credit report to perform a preliminary credit review of the borrower’s financial obligations.
- 3) Discuss whether the prospective applicant is eligible.
- 4) Provide information regarding the fees and charges associated with the reverse mortgage.
- 5) Describe the potential financial implications of a reverse mortgage loan for the prospective applicant.
- 6) Provide the borrower with a SAMPLE copy of the Note, Mortgage, and Loan Agreement.
- 7) Use automated valuation model (AVM) to perform a preliminary estimation of the property value; and
- 8) Order a preliminary title search.

The prohibition on processing the application means, among other things, that a Lender/TPO may not order an appraisal, title search, or FHA Case Number, before the Borrower(s) complete the required counseling and the cooling off period expires.

Credit Report

In addition to Handbook 4000.1 requirements for a credit report the following Longbridge requirements must also be met.

Requirements

- Correct borrower(s) name(s), current street address, Date of Birth (if entered), and Social Security Number.
Note: Minor address variations are acceptable and do not require a new credit report.
- Any HAWK alerts must be researched and cleared.

- Any OFAC hits must be researched and cleared; and
- Address discrepancies on the credit report must be researched and cleared. The borrower(s) may be required to provide a detailed letter of explanation for any additional address(es) that have been reported in the prior 12 months. For P.O. Boxes that are reported in the prior 12 months and are located in a state other than the subject property, a letter of explanation is required.

Note: At the Underwriter's discretion additional documentation may be required to support occupancy as the borrower(s) and Eligible NBS, as applicable, principal residence.

Credit Scores

When credit scores are obtained, the Notice to Home Loan Applicant for each borrower is required.

Fraud Alert

If the borrower(s) credit or Interthinx report reflects an open Fraud Alert, then additional verification with the borrower(s) to extend credit is required.

The Processor must call the Borrower at the phone number identified in the fraud alert message, confirm that you are speaking with the Borrower(s), confirm with the Borrower that they have applied for the reverse mortgage with LBF, and receive verbal authorization from the borrower(s) to extend credit. Use of the contact information within the Alert is required. If the Alert does not have contact information for the Borrower, i.e., telephone number, then the Alert will need to be updated with the appropriate contact information. Only the Borrower can update this information with the Credit Reporting Agencies.

The Processor must provide written certification for the above at time of underwriting submission.

The underwriter must review the written certification to confirm that all requirements were met, and sign & date the certification.

Note: Loans submitted to underwriting without the required written certification will be Pended subject to an acceptable completed certification.

Frozen Credit / Security Freeze

- Borrower(s) have the right, based upon the laws of the state the borrower resides in, to place a "security freeze" on their credit history, and this prohibits the credit reporting agency from releasing the borrower(s) credit history. This freeze can be placed with any or all the three (3) major credit reporting agencies, Experian, TransUnion, or Equifax.
- When the borrower(s) credit report reflects that it has been frozen by any or all the credit reporting agencies the underwriter will have to issue a Pended loan decision. The borrower will need to contact the identified credit reporting agency so that their credit history can be released. Upon the processor receiving verification from the borrower(s) that the freeze has been lifted, either temporarily or permanently, a new tri-merge credit report must be pulled. The processor is to review the report to be sure it now includes the history of all agencies, and then submit the loan back to the Underwriter.

Office of Foreign Asset Control (OFAC)

If the credit report indicates a positive OFAC hit, escalate the loan to the Underwriting Manager. The UW Manager will research using the OFAC website, and further escalate to Compliance if there is a match. OFAC may also be pulled separately or may be identified on the Fraud Guard report.

Death Certificate

A death certificate is required when a deceased person is being removed from title. This includes any person named in a Trust.

An affidavit of death may also be required based on state requirements as determined by the title company. The settlement agent or title company must state in writing that the deceased party can be removed from title at closing without probate.

File Documentation Requirements

- All loan files must properly document the credit, income, and assets (if required) used in underwriting the loan. The Lender is accountable for the integrity and accuracy of all information used to qualify the borrower(s),
- Any pertinent documentation received for an application is considered part of the permanent loan file. The documentation must be retained and may not be discarded,
- Documentation must be clearly legible,
- Documents CANNOT contain any alterations, erasures, white-outs, or similar indications that changes have been made,
- Photocopy, fax, or computer-generated documents/forms are acceptable permitting they include all essential information that is available on hardcopy original documents. This includes on-line bank and investment statements that the borrower downloads from the Internet. This also includes Verification of Deposits, Employment, Mortgage, or Rent that are received by the Lender via email or fax directly from the bank, etc.,
- Borrower faxed copies of other verification documents (paystubs, W2's, tax returns, bank statements, stock and/or securities statements, authentic bills of sale, settlement statements, mortgage payment histories, or cancelled checks) are acceptable,
- The Lender must represent and warrant the accuracy of the information obtained on the fax, photocopy, or computer-generated documents and will remain fully liable,
- FHA prohibits the use of verification documents (Verification of Employment, Income or Assets/Deposits, HOA payment histories, etc.) that have been handled by or transmitted from or through any interested third parties (e.g., Seller(s), Real Estate Agent/Broker(s), or Builder),
- Notes or comments written on the documentation are acceptable if:
 - The documentation is still completely legible,
 - Notes/comments are only factual (non-subjective) information relating to the transaction,

- Derogatory comments regarding customers are never acceptable; any personal feelings should be excluded, and
- Subjective comments that have no bearing on making an objective credit decision are to be included in the loan file.

FHA Case Number

An FHA Case Number is required for all HECM loans. The Case number may not be ordered until we have a fully executed application for borrower and property **and** a fully executed HECM Counseling Certificate, as applicable. Successful borrower validation for all borrower(s) and NBS, as applicable, is required.

When property type is a Condominium then the Case # must identify Condominium at time of initial case # request. We must confirm the Condominium Project is on the list of FHAs approved condominium projects at the time of case # assignment and must enter the FHA Condo ID in FHA Case Assignment screen.

For loans being processed under Single Unit Approval guidelines this must be reflected on the initial case # assignment.

Borrower and Non-Borrowing Spouse Name

FHA has begun issuing Notice of return/rejection (NOR) for submitted case binders where the borrower(s) name(s) do not match on the preliminary title report, HECM counseling certificate and FHA Case assignment. The borrower and non-borrowing spouse (NBS), as applicable, name as evidenced on the preliminary title report must be the same on the HECM counseling certificate and FHA Case number.

For example, title reflects Property is vested in Philip D. Smith, HECM counseling certificate and FHA Case assignment have as Philip Smith. The HECM counseling certificate and FHA Case # must be corrected to show Philip D. Smith.

Successful validation of borrower(s) and NBS, as applicable, is required for all Case assignments. If we are unable to obtain successful borrower validation due to borrower or NBS name variation, then a new deed updating the borrower(s) name(s) may be required. When a new deed is required, it will need to be recorded prior to closing or the title company must evidence in writing they will record the new deed prior to recording the HECM 1st and 2nd mortgages, as applicable. The FHA case assignment and counseling certificate will need to reflect borrower name as it will appear on the new deed. When a new deed is required then the loan will need to be re-disclosed with appropriate fees for deed preparation and/or deed recording.

When a non-borrowing spouse does not hold a vested interest in the Property then we recommend that NBS name on FHA case assignment and HECM counseling certificate match to NBS's name on his/her Social Security card or Social Security 1099.

Note: An AKA Affidavit is **not** sufficient for FHA to insure a HECM where borrower or NBS name does not match.

New York Case Transfers

If a loan was not originated using a Longbridge product with our proposal and/or application package the loan must be re-disclosed, and these re-disclosures must be signed and returned prior to loan closing.

Case transfers may be accepted provided the following requirements are met.

Borrowers and NBS, as applicable, received the previous lender's proposal package. Other lenders may refer to this as the Counseling or Pre-Counseling Packet. The packet must have included the following:

- Counseling Checklist
- Counseling Statement Disclosure (Notice of the initial 3 Day Cooling off Period)
- Additional Disclosures for NY HECM Reverse Mortgage Borrowers
- NY Schedule of Estimated Payments Disclosure

Longbridge will use the prepared/print date to validate that the disclosures were provided prior to counseling. If there is no prepared/print date, then borrower signature date will be used and must be prior to counseling. We cannot make exceptions to obtaining the prior lender's package for evidence that the borrower's and NBS were provided with the disclosures prior to counseling.

For Broker or PAA originations only, if the borrower(s) have signed the previous lender's application package the following additional documents must be sent to the borrower(s) within 3 days of receipt of the loan:

- Longbridge Privacy Policy
 - Pre-Application Disclosure and Fee Agreement either A or B or C is required. To be signed by Loan Officer and Borrower(s), as applicable.
 - A. Pre-Application Disclosure Fee Agreement Lender. This form is required for Retail.
 - B. Pre-Application Disclosure Fee Agreement Broker This form must be provided by Broker with a NYS Mortgage Broker License
 - C. Pre-Application Disclosure Fee Agreement – Mortgage Lender/Exempt Entity Acting as a Broker. This form will be provided by any Exempt Entity or Mortgage Lender acting as a Mortgage Broker in NY.
- Note:** All fees, application, appraisal, credit report, as applicable are to be complete before providing to the borrower(s). If corrections need to be made after being sent to the borrower(s) then corrections must be initialed by the borrower(s).
- Additional Disclosure for NY HECM Borrowers
 - NY Schedule of Estimated Payments
 - Important Terms Disclosure (ARM) or Truth-In-Lending (Fixed)
 - Servicing Transfer Disclosure
 - NY Interest Rate Lock Timing Disclosure
 - NY Third Party Designation. **Borrower must check the box if they do or do not wish to provide a 3rd party designation.** If they do wish to provide, they must also complete name of Designee,

Address & Phone # for up to 6 Designees.

- NY Borrower Closing Attorney Selection Form. Borrower(s) must have their own legal representation at time of loan closing.
- Longbridge standard re-disclosure package, which includes:
 - NY Receipt of Duplicate Redisclosure Package, Request for Signature and return one copy.

All the above, including the redisclosure package must be signed and returned prior to loan closing.

Important: A NY Consumer Credit Report disclosure that was signed & dated by the borrower(s) and Eligible NBS, as applicable, BEFORE credit was ordered is required for any case transfer loans.

Flood Determination Certificate

A flood determination certificate, including Life of Loan, must be included in every file to determine if the subject property is in a flood zone, and therefore requires flood insurance coverage.

Review the Standard Flood Hazard Determination (SFHD) and ensure the following:

- The subject property address reflected on the SFHD matches the subject property address on the application, appraisal, USPS, survey (if applicable), and contract of sale (if applicable).
- The correct lender address and loan number are populated on the determination.

For Retail & Broker originations as follows:

Longbridge Financial, LLC ISAOA
P.O. Box 40724
Lansing, MI 48901-7924

For PAA originations it's to match the lender on the 1009 and include ISAOA.

- Handwritten loan numbers or Lender IDs is not acceptable,
- Retail originations reflect 3116900000. Lender ID must be completed for PAA relationship when the Principal, which is the Partner, is an entity insured by the FDIC. A Bank would be FDIC insured,
- If the SFHD is issued without these fields being populated, as applicable, or populated with incorrect information, the certificate must be re-issued with the correct required information,
- The SFHD has not been altered,
- A property is **NOT** eligible for FHA insurance if a residential building and related improvements to the property are located within a Special Flood Hazard Area (SFHA) Zone beginning with the letter A, a "Special Flood Zone Area", or any Zone beginning with the letter V a "Coastal High Hazara Area") **AND** insurance under the National Flood Insurance Program (NFIP) is **NOT** available in the community.
- A property is **NOT** eligible for FHA insurance if the improvements are, or are proposed to be located, within a Coastal Barrier Resource System (CBRS).

To be eligible for FHA insurance, a property located in a 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.

Definition/Description

The land area covered by the floodwaters of the base flood is the Special Flood Hazard Area (SFHA) on NFIP maps. The SFHA is the area where the National Flood Insurance Program's (NFIP's) floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies.

Mapping and Participation

When an area is not mapped or NFIP is not available, the property may not be eligible. Refer to following chart:

Mapping (Box 1, 2, 5)	Flood Zone (Box 4)	Federal Flood Insurance Availability	Is property eligible? (Box C.1.or C.2.)
Mapped	In a flood zone	NFIP Available	Eligible
Mapped	In a flood zone	NFIP NOT Available	Ineligible
Mapped	NOT in a flood zone	NFIP NOT Available	Eligible
Not Mapped	Undetermined	NFIP Available	Lender Discretion
Not Mapped	Undetermined	NFIP NOT Available	Manufactured: Ineligible
			Stick-built: Lender discretion

Note: If the table indicates “Lender Discretion” the underwriter or underwriting manager are to review the area for local bodies of water, annual rainfall, last flood, and availability of NFIP coverage to determine eligibility.

Required Flood Disclosure Notices

- If the subject property is **IN** a flood zone, the flood certificate will include the following two notices, which must be mailed to the borrower advising that the property is in a flood hazard area:
 - Notice of Special Flood Hazards and Availability of Federal Disaster Assistance
- This notice must be given whether the community participates or not.
- This notice must be given in writing to the borrower a reasonable period in advance of the loan closing.
- Delivery of the notice must take place within a *reasonable* time before the transaction is completed. Longbridge will require ten (10) days prior to closing as a *reasonable* time frame. The notice must be signed at closing by the borrower(s) to evidence acknowledgement that the property is in a Standard Flood Hazard Area.

The notice must include the following:

- Warning stating that the building or improved real estate securing the loan is in an area having special flood hazards.
- A description of the flood insurance requirements under section 102(b) of the Flood Disaster Protection Act of 1973.
- A statement that flood insurance coverage may be purchased under the National Flood Insurance Program (NFIP) is also available from private insurers.

Evidence of Flood Disclosure Notice

The notice must be:

- Signed by the borrowers,
 - Executed notice returned to LBF, and
 - Retained in the loan file.
 - If the Notices are not signed prior to closing, the borrowers may sign the Notice at loan closing.
- Note:** Depending upon the Vendor the Notices may be included in one (1) document.

Massachusetts

We must also provide a Notice about Flood Insurance Coverage at the time we require a borrower to purchase or pay for flood insurance on the property. This Notice must be mailed or delivered to the borrower in the same method, **AND** at the same time that the Notice of Special Flood Hazards is provided to the borrower(s).

The borrower(s) must execute the Important Notice About Your Required Flood Insurance Disclosure.

Disputing a Flood Zone

If a borrower feels the subject property is located outside of a flood hazard area, they must obtain a Letter of Map Revision (LOMR) or Letter of Map Amendment (LOMA) from Federal Emergency Management Agency (FEMA), and the flood certificate must be updated.

- Any disputes to the findings must be reconciled with the flood certificate provider, and not LBF.
- A dispute or re-determination should only be requested when there is verified documentation to support the request (e.g., survey, appraisal, city or county flood reports, elevation certificate, etc.)
- Additional information/documentation must enable a LOMA or LOMR request to be reviewed and approved by FEMA.
 - A LOMA or LOMR is a letter issued by FEMA that officially addresses whether an existing structure or parcel of land is or is not located in a SFHA.
 - A LOMA deals with structures or land that has not been elevated by fill, and a LOMR deals with structures or land that have been elevated by fill. Fill is any material, usually soil, which is placed on a property to elevate the grade so that

any structure(s), existing or proposed, located on the property meet(s) FEMA's criteria for removing a structure(s) located on the property from the SFHA.

- Possible sources for this information would be a Community Flood Plain Administrator, City Engineer, or Surveyor who has "shot" the topography of the site (a written statement by the surveyor is not acceptable; the survey must show the elevations).
- Retain a copy in the loan file of all material used by the Flood Determination vendor to make the final flood determination, include a copy of the effective NFIP map (Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM) panel for the community in which the building is located with the location of the building indicated.
- Documentation must be supplied to the flood determination vendor to evaluate and provide a revised certificate, if applicable.

Lender discretion on requiring a flood elevation certificate and/or flood insurance

If a lender is uncertain about whether a property is located within a SFHA, it may require a flood elevation certificate. In addition, the lender has discretion to require flood insurance even if:

- The residential building and related improvements to the property are not located within the SFHA, but
- The lender has reason to believe that the building and related improvements to the property may be vulnerable to damage from flooding.

Eligibility for Existing Construction, New Construction, Condominiums, and Manufactured Home in SFHAs

Refer to Handbook 4000.1 for eligibility requirements for Existing Construction, New Construction, Condominiums and Manufactured Homes located in a SFHA.

HECM Lending Limit

The Federal Housing Administration's (FHA) HECM maximum claim amount limits for Traditional HECM, HECM for Purchase, and HECM-to-HECM refinances are governed by the maximum claim amount limitation in sections 255(g) and 255(m) of the National Housing Act, which contains cross-references to section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454)(a)(2)) as further defined in 24 C.F.R. 206.3. FHA publishes updated limits effective for each calendar year.

For the period January 1, 2024, through December 31, 2024, the maximum claim amount for FHA-insured HECMs will be \$1,149,825.

High-Cost Testing

LBF does not originate, close or purchase High-Cost loans. Testing to determine if a loan is High Cost is required in the following states:

- Utah, and

- Vermont.

Note: For the state of Utah, the test is only required for loans originated or closing in a **fixed rate** product.

Retail originations - High-Cost Worksheet must be completed at the time of application and closing.

Broker & PAA originations - High-Cost Worksheet must be completed by Longbridge at the time of loan submission and at closing.

Holidays

A loan closing or funding may not take place on a federal holiday. The following days are considered federal holidays:

- New Year's Day
- Dr. Martin Luther King Jr Day
- President's Day
- Memorial Day
- Juneteenth
- Independence Day (4th of July)
- Labor Day
- Columbus Day
- Veteran's Day
- Thanksgiving Day
- Christmas Day

New York State Legal Holidays

The term "business day" means any day of the week except for Saturday, Sunday, and any legal holidays. The legal holidays under New York law are:

- New Year's Day
- Dr. Martin Luther King Jr Day
- Lincoln's Birthday
- Washington's Birthday (President's Day)
- Memorial Day
- Flag Day
- Juneteenth
- Independence Day
- Labor Day
- Columbus Day
- General Election Day
- Veterans Day

- Thanksgiving Day
- Christmas Day
- Any other day appointed by the governor of New York or the US President.

If any holiday except Flag Day, falls on a Sunday, the following Monday is a legal holiday.

The New York holidays are updated on an annual basis, and you can check the holiday schedule using the New York court system's website [COURT TERMS & HOLIDAYS | NYCOURTS.GOV](https://www.nycourts.gov/court-terms-holidays).

Income from Marijuana

Any form of income e.g., W2, 1099, self-employment income, resulting from cultivation, distribution, manufacture, or sale of marijuana cannot be used as effective income to qualify. Under the Controlled Substances Act, marijuana is a Schedule I controlled substance with no accepted medical use, so any income cannot be considered legally derived.

Social Security Retirement Income

Social Security Retirement Income or Supplemental Security Income (SSI) refers to income received from the SSA other than disability income.

For Social Security **Retirement** income, the underwriter must obtain the most recent Award/Benefit Letter and one (1) of the following documents:

- Recent bank statement evidencing direct deposit of SS income, or
- Federal tax returns, or
- Social Security Benefit Statement, SSA Form 1099/1042S.

Note: If a bank statement or federal tax return is provided to evidence SS Retirement income then we will review the entire bank statement for SS deposit and other activities, or tax return for income losses. This can lead to additional conditions, additional expenses being included for residual income analysis, or reduction of effective income. Once documents are reviewed by an Underwriter, they cannot be removed from the Underwriter's loan evaluation.

In addition to the verification of SS income noted above, we must document the continuance of this income by obtaining from the Borrower (1) a copy of the last Notice of Award letter which states the SSA's determination of the Borrower's eligibility for SSA income, or (2) equivalent documentation that establishes award benefits to the Borrower (equivalent document).

For **Supplemental Security Income** we must verify and document the borrower's receipt and continuance. To evidence receipt and continuance, we must obtain:

- the most recent Award/Benefit letter or equivalent, **and**
- a bank statement evidencing direct deposit of supplemental income.

If the Notice of Award or equivalent document does not have a defined expiration date, the underwriter must consider the income effective and reasonably likely to continue. The underwriter should not request additional documentation from the borrower to demonstrate continuance of Social Security Income.

Social Security is part of the retirement plan for almost every American worker. It provides replacement income for qualified retirees. It replaces a percentage of the borrower's pre-retirement income based on his/her lifetime earnings. Social Security retirement benefits are a lifetime benefit and end upon the person's death.

A borrower does receive a Benefit letter on an annual basis, and he/she will also receive a Social Security 1099 or 1042S Benefit Statement for the previous year. Noncitizens who live outside of the United States receive the SSA-1042S instead of the SSA-1099.

Supplemental Security Income and is another program that Social Security administers. They pay monthly benefits to people **with limited income and resources** who are disabled, blind, or age 65 or older. Unlike Social Security retirement benefits, SSI benefits are not based on your prior work or a family member's prior work. To get SSI, borrower must be disabled, blind, or at least 65 years old and have "limited" income and resources. With this program requiring the person to have limited income this benefit typically has an expiration date listed on the Award letter. Social Security does not issue an SSA-1099 or SSA-1042S for SSI benefits paid to an individual.

We will use Social Security **Gross Income** as effective income.

When **ONLY** Social Security Retirement Income is used as effective income **and** the below thresholds are met, we will **NOT** include a Federal and/or State income tax liability in the monthly expenses.

Borrower files his/her federal tax return as an Individual and Social Security Income is \$25,000 or less; **or**

Joint federal tax return and combined Social Security Income is \$32,000 or less.

Calculating Social Security Retirement Income

The underwriter must use the current amount of SS Income received to calculate effective income.

FICA TAX

The **Federal Insurance Contributions Act (FICA)** is the federal law that requires you to withhold two separate taxes from the wages you earn.

FICA tax is **NOT** paid on Social Security Retirement Income, Pension Income, Annuity Income, 401k or IRA distribution income, etc.

Tax Returns

When tax returns are being provided, regardless of reason for tax returns being submitted, the Underwriter must review the return(s) and account for any losses noted on said return(s). This is required even if income from the source of the loss is not being used as effective income. If only 1 tax return is provided and losses are noted, then the Underwriter will condition for additional year(s) to calculate the loss in accordance with the Financial Assessment requirements in this guide.

For example, Property use includes a hobby farm, tax return provided to document hobby only use, and Schedule F shows farming income, not being considered in effective income, but shows an annual loss. That loss is to be accounted for in the borrower's effective income.

In addition, all tax returns must be complete (including all schedules) and be signed by the borrower(s). Borrower(s) may sign the return(s) at time of closing.

Life Estate

A life estate is a legal arrangement to transfer property automatically upon a person's death. The holder of a life estate is called a life tenant and is given ownership of the property for his or her lifetime. Upon the death of the life tenant, ownership in the property transfers to one or more other individuals called remainder men(s). **A remainder man(s) MUST be an individual or multiple individuals, LLCs or other entities are permitted as remainder men(s).** LBF will consider a Trust as a remainder man on a case-by-case basis with approval by the Underwriting Manager. A complete copy of the Trust and an Attorney Opinion Letter identifying if the Trust meets FHA guidelines are required.

Closing in a Life Estate is permitted, however, to encumber fee simple interest in the property the following requirements apply:

- The life tenant(s) are the HECM borrower(s) and execute all origination and closing documents.
- The promissory note must be executed by the holder of the life estate (the holder of the life estate is the borrower(s)).
- The security instrument(s) must be executed by the holder of the life estate and Remainder men(s).
- The intervening assignments must reflect such borrowers.
- The title insurance must list such borrowers as holding title.
- The remainder men(s) must execute the Security Instrument(s) and any riders, Notice of Right to Cancel, and the Truth-In-Lending disclosure.
 - Underwriters must add the following at closing condition to the loan approval where title is vested in a life estate: "All parties on title must sign the Mortgage/Deed of Trust, Notice of Right to Cancel, Truth-In-Lending disclosure, HUD-1, and Compliance Agreement."
 - If the subject property is in the state of New York, the remainder men(s) **do not** need to execute the 252 & 255 Affidavits.

- In some states the closing/settlement agent may require additional documents to be executed.
- Remainder man(s) must be an individual or multiple individuals, NO trusts, LLCs, or other entities are permitted as remainder man(s).
- The Nearest Living Relative document must be completed with all remainder man(s) information on every loan vested in a life estate.

Note: Holder(s) of a future interest (remainder man(s)) do not have rights to loan proceeds of other mortgagor(s).

Note: Closing in the State of Texas with Life Estate Interest is **NOT** permitted.

Enhanced Life Estate

With a "regular" life estate deed, the owner of the real estate makes a gift of the property to beneficiaries, called remaindermen. The life estate holders cannot mortgage or sell the property during their lifetime without the permission and "joinder" of the remaindermen. Joinder means that they are parties to the mortgage or sale. The life estate holder effectively gives the property and unilateral control of the property away during their lifetime.

With an "enhanced" life estate, the owner of the real estate, referred to as the "life tenant," retains complete control over the property during their lifetime. They have the right to mortgage or sell the real estate **without the consent** of their beneficiaries or the remaindermen named in the deed because he/she/they haven't given the property to them yet. The property does not transfer until the death of the Life Tenant(s).

An enhanced life estate deed functions in a manner very similar to a beneficiary, transfer-on-death (TOD), or Lady Bird deeds. Beneficiary, TOD deeds or a Lady Bird Deed do not take effect and transfer property to the beneficiary until after death, **and the language in the deed must specifically state this.** These must be prepared, signed, and recorded in the county land records office just like any other deed.

Closing in an Enhanced Life Estate is permitted, however, to encumber fee simple interest in the property the following requirements apply:

- The life tenant(s) are the borrower(s) and execute all origination and closing documents.
- The promissory note must be executed by the holder of the life estate (the holder of the life estate is the borrower(s)).
- The intervening assignments, if applicable, must reflect such borrowers.
- Title must list such borrower(s) as holding title.

Note: Holder(s) of a future interest (remainder man(s)) do not have rights to loan proceeds.

Note: Closing in the State of Texas with an Enhanced Life Estate Interest is NOT permitted.

Since any Remainder men(s) will not have a vested interest in the subject property until the death of the Life Tenant(s) they are NOT required to sign the Mortgage(s)/Deed of Trust(s), Notice of Right to Cancel, Truth-In-Lending or Important Terms disclosure, HUD-1, or Compliance Agreement.

Beneficiary Deed

A beneficiary deed, or commonly called a TOD deed (Transfer on Death Deed), is a special type of deed that can be used to transfer ownership of real estate outside probate. The beneficiary deed is a conveyance of an interest in real property which is revocable, and which becomes effective **upon the death of** the Grantor, or, if there are multiple Grantors, upon the death of the last surviving Grantor. It does have to be recorded with the County recording office.

A beneficiary deed has a similarity to a life estate interest deed because there is a beneficiary/remainderman. With the beneficiary deed it transfers on the death of the Grantor(s) so it does not affect the fact that our borrowers hold a fee simple interest in the property.

Due to how a Beneficiary deed works the borrower(s) remain vested in title based on the most recent recorded deed with a Fee Simple interest in the subject property. In most situations the title report will not acknowledge the Beneficiary Deed because it does not become effective until the death of the Grantor(s).

Since the Beneficiary(ies) will not have a vested interest in the subject property until the death of the Grantor(s) they are NOT required to sign the Mortgage(s)/Deed of Trust(s), Notice of Right to Cancel, Truth-In-Lending or Important Terms disclosure, HUD-1, or Compliance Agreement.

NMLS

NMLS Consumer Access is a free service for consumers or mortgage professionals to use to confirm that the company and loan officer with whom a borrower has chosen to conduct business with is authorized to do business in their state.

LBF requires a printout for the Loan Officer that has executed the 1009 from the NMLS site at <http://www.nmlsconsumeraccess.org/> to document that the LO is licensed to conduct business in the subject property state.

Non-Borrowing Spouse (NBS)

Longbridge does not originate, underwrite nor purchase HECM loans in the State of **Texas** when there is an **Eligible** Non-Borrowing Spouse. An Ineligible NBS is allowed.

Occupancy

The borrower(s) and Eligible NBS, as applicable must occupy the subject property as their principal residence to qualify for a reverse mortgage.

A Principal Residence refers to a dwelling where the Borrower, and if applicable, an ENBS maintain their permanent place of residence, and typically spend the majority of the calendar year. A person may have only one Principal Residence at any one time and the Property is considered to be the Principal Residence:

- Of any Borrower who is temporarily in a health care institution provided the Borrower's confinement to a health care institution does not exceed 12 consecutive months.
- Of any NBS who is temporarily in a health care institution, as long as the Property is the Principal Residence of their Borrower Spouse, who physically resides in the Property;
- Of any NBS who occupies the property as their Principal Residence, when the borrower resides in a health care institution for a length of time; and
- During a Deferral Period of the NBS, who is temporarily in a health care institution, provided the ENBS physically occupied the Property immediately prior to entering the health care institution and such confinement does not exceed 12 consecutive months.

All applications will be evaluated for the borrower(s) and ENBS, as applicable intent to occupy the subject property.

- It is a federal crime punishable by fine, imprisonment, or both to knowingly make any false statements concerning the loan as applicable under the provisions of Title 18, United States Code, and Section 1014.
- If it is determined that a Longbridge employee knowingly allowed a borrower(s) to make false statements, the action will be treated as misrepresentation and appropriate action will be taken.

Borrower(s) who convey their interest in the subject property, but maintain Life Estate interest in the subject property are considered to have an acceptable ownership interest in the subject property.

Borrower(s) may transfer the property to a Living Trust 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. See Handbook 4000.1 for requirements when property is transferred to a Trust after HECM closing.

Discrepancies

Potential occupancy discrepancies include, but are not limited to:

- Driver's license or ID address differs from subject property or is recently issued.
- Credit history shows a different address as the borrower's current address.
- 1009 home phone number is tied to a different address.
- Documents in file show a different mailing address (e.g., hazard policy, payoff letter(s), bank statement(s), Social Security award letter(s), etc.)
- Borrower(s) own multiple properties.
- P.O. Box listed as mailing address, and USPS confirms the subject property as a deliverable address.
- Homestead exemption claimed on another property.
- Subject property has recently been listed for sale.

- Interthinx report alerts to address discrepancy, or reverse directory alert.

In these circumstances when file documentation raises concerns that the borrower(s) primary occupancy is in question, underwriting reserves the right to request additional supporting documentation along with a written letter from the borrower(s) explaining discrepancies or disposition of other residences and/or real estate owned. A loan approval CANNOT be rendered until primary occupancy can be determined with certainty and is adequately supported.

Documentation

Acceptable evidence to support occupancy by the borrower(s) in the subject property, all dated prior to application, can be obtained by providing LBF with one (1) item from List A **and** two (2) items from List B.

List A	List B
Copy of borrower(s) driver's license, if not recently issued	Copy of borrower(s) voided check
Copy of Social Security Award Letter or copy of a bank statement with SS direct deposit	Copy of borrower(s) mortgage statement
Copy of borrower(s) bank statement that reflects sufficient monthly activity	Copy of borrower(s) auto insurance policy page
Copy of borrower(s) state issued ID, if not recently issued	Copy of borrower(s) credit card statement(s)
	Copy of borrower(s) utility statements/bills (e.g., phone (cell and/or landline), cable, gas/propane, garbage, internet service)
	Copy of federal tax return(s)
	Voter registration card
	Car registration or title

Note: At the underwriter's discretion other forms of documentation may be acceptable to support occupancy

Payoffs

HECM proceeds may only be used to pay off existing non-HECM liens if the lien seasoning requirements noted in Handbook 4000.1 are met. An unseasoned HELOC may be paid off from HECM proceeds, borrower funds or a combination of both permitting that the Initial Disbursement Limit or Borrower's Advance remains at or under 60 percent of the Principal Limit. An unseasoned HELOC is not a Mandatory Obligation and will not increase the Principal Limit available to the borrower(s).

All taxes, liens, judgments, and outstanding mortgages listed in the title must be paid off or removed from the title commitment at closing. The only exception is an existing 2nd lien/mortgage that is subordinated to the HECM lien(s). See Handbook 4000.1 for allowance of subordinate liens.

Payoffs must include:

- The payoff statement expiration date should extend 5 days past the funding date. If the payoff statement does not extend 5 days past funding it must also include per diem interest.
- A payoff statement may not be expired at the time of closing.
- An updated payoff statement is required for any payoff statement that is 30 days or more past the quote/generation date.
- HELOC payoff must be
 - Must be dated within the same– month as the closing date.
 - Must be dated within 1 week of clear to close being issued even if per diem interest is noted. If the payoff was issued/generated in the prior month then an updated payoff is required regardless of per diem interest being noted.
 - Except as noted above, if a payoff includes per diem, then up to 15 days may be used and added to the payoff amount.
- HECM to HECM refinances – loan must close and fund by the payoff expiration date, regardless of per diem being included. This is due to Interest and Monthly MIP being added to the balance on the first of every month.

Note: Any payoff statement that is 30 days or more past the quote/generation date then an updated payoff statement is required.

Photo Identification

A valid photo id for all borrower(s) and Non-Borrowing Spouse, if applicable, is required.

Un-expired Photo ID Requirements

One of the following unexpired items must be collected from all borrowers(s) and NBS, as applicable, to verify their identity:

- State issued driver's license,
- State issued ID card,
- Military ID card,
- Passport, or
- U.S. Alien Registration Card.

CIP procedures must be followed at closing.

Expired Photo ID Requirements (Expired within Five (5) years)

The following items **MUST** be collected from all borrowers(s) and NBS, as applicable, to verify their identity:

- One form of government issued ID as listed above,
- Evidence of Social Security Number, and
- A clear Fraud Guard Report.

CIP procedures must be followed at closing.

CIP Requirements

The Closing/Settlement Agent must comply with Customer Identification Program (CIP) requirements at closing. If the photo ID is expired, validate the borrower's identity according to the laws of the state in which the loan closing occurs.

If state law is silent, LBF requires establishing the borrower(s) identity at closing by means of oaths from:

- Two (2) credible witnesses if photo ID expired more than 5 years,
- One (1) credible witness if photo ID expired five (5) years or less.

The oath for each credible witness must affirm that all the following are true:

- The borrower(s) signing the loan documents is the person named in the documents,
- The credible witness knows the signer,
- The credible witness believes that the borrower would have difficulty or an impossible time obtaining un-expired photo identification,
- The borrower does not have any unexpired documents authorized by law to establish the borrower's identity,
- The credible witness does not have a financial interest and is not named in the loan closing documents,

The closing/settlement agent must validate the borrower(s) identity at closing. If a discrepancy is noted, the closing agent must contact the LBF Closer, and the loan **may not** close without further instruction from the LBF Closer or appropriate Manager. The loan **cannot** close unless the discrepancy is resolved, and a detailed resolution is documented in the loan file. LBF and the closing/settlement agent must be fully satisfied that there is no deception or mistake concerning the identity of the borrower.

In cases here an individual borrower is not physically present at the loan closing, the loan **cannot** be closed unless there is a properly executed and LBF approved Power of Attorney. See **Power of Attorney**. The closing/settlement agent must validate the identity of the attorney-in-fact as per this policy.

No Photo Identification

If the borrower(s) do not have any photo identification (expired or unexpired) elevate the file to the Underwriting Manager.

Power of Attorney (POA)

If a borrower(s) is deemed incompetent a POA, Conservator or Guardian may be used. If using a POA for an incompetent borrower, it must clearly be established that the borrower was of sound mind at the

time he or she executed the POA document(s) but is no longer of sound mind to handle his or her own financial affairs. When the POA document requires two (2) physician's letters to establish mental competency then Longbridge must be provided with both physician's letters.

A POA may also be used for a borrower that is legally competent, and please refer to Handbook 4000.1 for requirements when POA is used to sign on behalf of a legally competent borrower.

Power of Attorney (POA) Requirements

General Power of Attorney (POA) guidelines:

- The POA must be Durable (continues to be in effect if the borrower becomes incompetent after execution of the POA),
- The POA grants the power to execute a mortgage real estate transaction, complies with state law, and allows for the Note to be enforced in the jurisdiction. Preferably, the POA should specifically give the POA the right to mortgage, sell, or transfer property rights in the subject property,
- The POA must be acknowledged by a notary public authorized under applicable law,
- The POA must be reviewed and approved by the DE Underwriter,
- A written acknowledgment from the title company indicating the POA is acceptable to insure,
- The Attorney-In-Fact must be directed to sign the loan documents as indicated in the following example: "John Doe by Jane Doe as attorney-in-fact/AIF", and
- The POA must provide a valid (not expired) photo identification.
- The original POA or may accept a certified true copy must be provided to the title company at the time of closing and it must be recorded with the Security Instrument(s).

Mentally Incompetent Borrower

This POA is used for a mentally incompetent borrower.

For the Attorney-In-Fact to execute all disclosures and the closing documents, the General POA criteria listed above, PLUS the following must be met:

- A letter from an actively licensed medical professional (Physician, Physician's Assistant, Nurse Practitioner, or Registered Nurse) from the borrower's primary care physician's office, another medical practice who regularly treats the borrower, or an American Board of Medical Specialties (Certified Specialist in Geriatrics or Neurology) who has completed a recent physical examination of the borrower.
- The letter must state that an examination of the borrower's mental competency was completed, the date of the most recent examination of the borrower, and that the borrower **is not** competent to make his/her own financial/business decisions. The borrower **must** have executed the POA prior to diagnosis of incompetency.
- If the POA was executed within the 12 months prior to the HECM application date, the letter **must** verify that the borrower could manage his/her financial affairs on the date the POA was executed by the Borrower (Principal),

- If POA is used in conjunction with a Trust Agreement additional documentation (e.g., a second (2nd) letter confirming incompetency) may be required as outlined in the Trust Agreement. A POA **may not** be used to execute on behalf of Trustee.,
- The POA must execute all application and closing documents,
- The POA must receive HECM counseling on the borrower's behalf, execute the counseling certificate on the borrower's behalf, and sign and date as POA,
- The counseling certificate must identify the borrower and the POA at the top of the certificate, and
- A notarized copy of the fully executed Durable POA is required for loan underwriting.
- The original POA or may accept a certified true copy must be provided to the title company at the time of closing and it must be recorded with the Security Instrument(s).

Mentally Competent Borrower

As per Handbook 4000.1 a POA may also be used for a borrower that is legally competent. The borrower may elect to have the POA execute documents on his or her behalf. All other Power of Attorney Requirements in this guide and Handbook 4000.1 must be met.

A durable general Power of Attorney may be used to sign the **initial** 1009, HUD-92900A and HECM counseling certificate as well as the closing documents when the borrower is legally competent.

A **valid** government issued photo identification for the borrower **and** POA are required. In addition, any state CIP (Customer Identification Program) requirements for financial transactions must be followed at time of application and by the Settlement Agent at time of closing.

Signing with a Mark

If the borrower is mentally competent, but can only make a mark, we will accept the mark on the 1009, HUD-92900A, and counseling certificate and all other application and closing documents if the Signing with a Mark Affidavit is executed which indicates two (2) disinterested parties, one of which may be the Notary, witnessed the mark and attest this is the mark of the borrower.

LBF recommends, but does not require, that a POA be utilized for the execution of the closing documents. If the borrower prefers to close and make their mark on all documents, a Signing with a Mark Affidavit is required.

For the execution of the first Note, second Note, first Mortgage and second Mortgage, as applicable, with a Mark, a Signing with a Mark Affidavit is required **for each document**. For a HECM ARM at least 4 completed and executed Signing with a Mark Affidavits are required. For a HECM Fixed rate at least 2 completed and executed Signing with a Mark Affidavits are required.

Property acquired in prior 12 months

When the borrower(s) have acquired the Property within the prior 12 months they are eligible to refinance and satisfy existing lien(s) against the property. The lien seasoning requirements in Handbook 4000.1 must be applied, and the loan is subject to additional underwriting requirements including but not limited to, as applicable:

- Copy of HUD-1/Closing Disclosure from the Purchase,
- Evidence of source of funds to purchase,
- Documentation to support occupancy of the Property as the borrower(s) and Eligible Non-Borrowing Spouse, as applicable, primary residence,
- Any increase in value is supported by recent closed comparable sales within the appraisal report,
- Letter of explanation from the borrower(s) if the Property was acquired via a transfer of Deed,
- Copy of recorded deed to evidence Spouse being added to the Deed,
- Copy of executed Settlement Agreement or divorce decree,
- Evidence property was recently inherited i.e., Last Will & Testament.

When there is an existing lien(s) where the borrower(s) were not borrowers/mortgagors then additional documentation is required. Additional documentation includes but is not limited to:

- A letter of explanation from the borrower(s),
- A Satisfactory Mortgage payment history,
- Documentation to support occupancy i.e., utility bills (phone, cable, garbage, heating fuel (propane, oil, or gas)), car or health insurance, bank statements, credit card statements, federal or state income tax returns, car registration, voter registration., and
- Lien seasoning requirements in this guide are met.

Right of Rescission/Right to Cancel

The right of rescission refers to the right for borrower(s), Non-Borrowing Spouse, Trustee(s), as applicable to cancel the HECM transaction after the loan closing is completed.

At the time of loan closing of a refinance the Notice of Right to Cancel is presented to the borrower(s), NBS, Trustee(s), as applicable and it must be signed to acknowledge receipt of the disclosure. They then have 3 business days to cancel the transaction. For rescission purposes business days include Saturdays but not Sundays or legal public holidays. See the Holidays section of this guide.

If the borrower(s), NBS, Trustee(s), as applicable, chose to rescind this must be done in writing and it must be received by Longbridge no later than midnight of the 3rd business day.

The Right to Cancel may be waived if the borrower(s) will lose their home to foreclosure sale, and the current lender will not postpone the sale date until after the funding date. Must be documented in the file. The borrower(s) must provide a letter of request to waive the right to cancel that explains the

hardship and a copy of the Notice of Sale. Waiving this right can only be approved by Longbridge's Sr VP of Legal and Compliance, VP Corporate Counsel, or VP of Credit.

Signature Lines on Closing Documents

Individual Borrower(s)

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*.

Non-Borrowing Spouse

The signature line must include language indicating the signer is an Eligible or Ineligible Non-Borrowing Spouse. i.e., John Doe, an Eligible Non-Borrowing Spouse.

Trust

The signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*.

Trustee the same as borrower

The borrower will execute as both a Borrower and as a Trustee and the borrower. i.e., John Doe on Borrower signature line, and John Doe, Trustee on the trustee signature line.

Each borrower/current beneficiary/grantor must sign all documents including the Note, Mortgage/Deed of Trust, and any applicable Riders, Notice of Right to Cancel, Truth in Lending or Important Terms, and HUD-1 Settlement Statement.

Trustee someone other than the borrower

Each trustee must separately execute the Note, Truth-In-Lending or Important Terms, Notice of Right to Cancel, HUD-1 Settlement Statement, Mortgage/Deed of Trust, and any applicable Riders necessary to create a valid first mortgage lien under state law.

Note: Trustee is specifically prohibited from signing the Loan Agreement.

Power of Attorney

The Agent will sign the Borrower(s) name exactly to how he/she is vested in title/deed. i.e., John E Smith. Agent to sign *John E Smith* by *Jane Doe* as AIF or POA.

Conservator

The Conservator will sign the Borrower(s) name exactly to how he/she is vested in title/deed. i.e., John E Smith. Agent to sign *John E Smith* by *Jane Doe* as Conservator.

Guardian

The Guardian will sign the Borrower(s) name exactly to how he/she is vested in title/deed. i.e., John E Smith. Agent to sign *John E Smith* by *Jane Doe* as Guardian.

Land Trust

The signature(s) must match exactly the vesting on title, however only the Trustee signs the Mortgage(s)/Deed of Trust(s) and Riders, as applicable.

The borrower(s) **do not** sign the Mortgage/Deed of Trust.

The borrower(s) **do sign** all the other documents.

Life Estate

The Borrower(s) signature must match exactly to how he or she are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*.

The Remainder Man(s) signature must match exactly to how they are identified in title/deed vesting.

For Example: Title/Deed vesting is John Doe, a married man, as to a Life Estate with remainder to Jane Doe.

John Doe signs on the borrower signature line, and Jane Doe signs on the Remainder Man line.

Social Security Number (SSN) Requirements

All HECM borrower(s) and any applicable Non-Borrowing Spouse must have a valid Social Security Number and provide evidence of his or her Social Security Number.

The SSN for each borrower and any applicable Non-Borrowing Spouse must be:

- Successfully validated in FHA Connection, and
- Documented.

The borrower(s) SSN must be consistent on all documents provided by the borrower. If successful validation in FHA Connection for borrower and/or any applicable Non-Borrowing Spouse is not obtained the HECM **cannot** be closed until successful borrower and/or NBS validation is received.

We must resolve any inconsistencies or multiple SSNs for individual borrowers or NBSs that are revealed during loan processing by using a service provider to process the SSA-89 to obtain direct verification from the Social Security Administration of the borrower and/or NBSs SSN.

Evidence of Social Security Number includes:

- Social Security Card,

- Medicare Card – as of 2019 the SSN is no longer on Medicare cards. Cards issued prior to 2019 with the SSN are acceptable.,
- Social Security 1099 (SSA-1099),
- Non-SSA 1099,
- W2, or
- Successful processing of SSA-89 Authorization for the Social Security Administration (SSA) to release Social Security Number (SSN) Verification.

State Requirements

Florida

The state of Florida has passed a new law SB 7073 that becomes effective July 1, 2024, and as a result the documentary stamp tax will be based on the **Principal Limit**, rather than the amount on the face of the mortgage. In all states the mortgage is recorded at 150% of the Maximum Claim Amount (MCA). This amendment relates only to the documentary stamp tax, which is \$3.50 per every \$1,000.

The new law **does not** include a change for the intangible tax, which is \$2.00 per every \$1,000 of the secured amount. The secured amount is 150% of MCA.

A Cover page to the Security Instrument will be used to evidence the Principal Limit for the purpose of establishing the documentary stamp tax.

Hawaii

Cisterns and Catchment Systems

A cistern or catchment system may be permissible; however, it does require a waiver from the Santa Ana HOC. SA HOC has advised that the appraisal report should be emailed upon receipt for review to determine property eligibility. The following requirements apply:

- Existing construction **only** is eligible for waiver. To be existing construction property must have a certificate of occupancy or its equivalent **and** CO or equivalent must be dated 12 months prior to the application date.
- Properties that have access to connect to a public or private community water system are not eligible. The appraisal must specifically comment on this lack of availability.
- The appraisal must indicate that the alternative water supply system does not have an adverse impact on the value or marketability of the subject property.
Note: SA HOC has advised that the appraisal should be reviewed first so as not to have expensive water testing completed before Property eligibility is determined.

If the appraisal and Property is satisfactory then we will need to obtain the following:

- Water test – sample must be collected and transported by a disinterested 3rd party.
 - The sample must be collected from the inside of the home e.g., kitchen sink, and tested by local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority.
- The water quality must meet the requirements of the health authority with jurisdiction. State of Hawaii does not have testing standards and has adopted EPA water testing standards for cistern or catchment system. The below is noted on the State of Hawaii Department of Health website.

Screening Test and Acceptable Levels		
Parameter	Acceptable Level	EPA Test Method
Turbidity	≤ 5 NTU	180.1
<i>Escherichia coli</i> (E. coli)	= Absence	SM 9223 (Colisure or Colilert)
Lead	≤ 0.015 mg/L	200.8
Copper	≤ 1.3 mg/L	200.8

NTU = Nephelometric Turbidity Units
mg/L = milligrams per liter = ppm

- An estimate from a commercial well drilling company will be used to determine financial feasibility of a conventional well system.

Conveyance Tax

The state of Hawaii imposes a tax on the conveyances or transfers of real property and interests in real property by deed, lease, sublease, an assignment of lease, or other document, unless an exemption applies. Conveyance tax is due at time of recording.

For QR & RV this will disclose on line 1205 State Tax/stamps deed.

Hawaii Homeland

Property that is a part of the Hawaii Homeland program are not eligible due to restrictions that are incompatible with the HECM program.

Homeowner's Insurance Coverage

We cannot require the borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

Lava Zones

FHA **will not** insure a property that is in a Lava Zone 1 or 2 and is therefore not eligible.

Zone 1: Includes the summits and rift zones of Kilauea and Mauna Loa (left) where vents have been repeatedly active in historic time. These areas are the most dangerous because all, or nearly all, erupted lava first emerges from the ground within Zone 1.

Zone 2: Include Hawaiian Ocean View Ranchos, Hawaiian Ocean View Estates, Black Sand Beach, Nanawale Estates, Kehena, Kalapana Seaview Estate, parts of Hawaiian Paradise Park, Hawaiian Beaches, parts of Kapoho, Puna Beach Palisades, Kona Paradise, Honomalino Opiihale and more.

Leaseholds

Leasehold refers to the right to hold or use Property for a fixed period at a given price, without transfer of ownership, based on a lease contract. Leasehold Interest refers to real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the Property.

Ground Rent refers to the rent paid for the right to use and occupy the land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term.

They are common in Hawaii and must meet HECM guidelines for Leasehold property.

- A renewable lease for not less than 99 years, **or**
- A lease with the actuarial life expectancy of the Borrower.

Note: Sub-leasehold Estates are not eligible for FHA mortgage insurance.

The appraiser must obtain a copy of the lease from the Lender and must analyze and report the terms of the ground lease, including:

- the amount of the Ground Rent,
- the term of the lease,
- if the lease is renewable,
- if the lessee has the right of redemption (the right to obtain a Fee Simple title by paying the value of the Leased Fee to the lessor, thereby cancelling the ground rent), and
- if the Ground Rent can increase or decrease over the life of the lease term.

In valuing the Leasehold Interest, the Appraiser must apply the appropriate techniques to each of the approaches to value included in the analysis.

- In the cost approach, the value of the land reported must be its Leasehold Interest.

- In the Gross Rent Multiplier (GRM) income approach, the sales used to derive the GRM factor must be based on properties under similar Ground Rent terms (or be adjusted to similar Ground Rent terms).
- In the sales comparison analysis, the comparable sales must be adjusted for their lack of similarity to the subject in the “Ownership Rights” section of the Sales Comparison Approach (SCA) grid.

Marital Status

The borrower(s) marital status must be stated on the first page of the Mortgage/Deed of Trust. How a borrower is vested (name and marital status) is found in the Preliminary Title Report, Schedule A, which is taken from the most recently recorded Deed.

When a borrower is married, but his or her spouse is not a borrower, then borrower marital status must still appear. An Eligible or Ineligible Non-Borrowing spouse must acknowledge by signing separately in the signature area of the Mortgage/Deed of Trust.

Examples of how vested interest may be held including but not limited to:

- John J Doe, Unmarried.
- John J Doe, Single.
- John J Doe & Mary A Doe, husband, and wife.
- John J Doe & Mary A Doe, Married.

For Property held in a Trust, any borrower that is also a Trustee of the Trust must sign as an individual and Trustee. The borrowers and/or Trustees’ marital status **does not** need to appear when property is held in Trust.

Permanent Heat Source

A permanent heat source is not required in Hawaii when the Appraiser comments that the lack of a heating source is common to the marketplace and does not adversely affect the marketability or value of the property.

Recording Documents

Hawaii has two different systems of recordation, Land Court (Torrens) and Regular system. A third possibility is Dual which means both Land Court and Regular. For Dual properties documents must be recorded in both systems. The preliminary title will indicate which system the Property is in and will appear in Exhibit A (legal description). The title company is responsible for ensuring that the documents (Mortgage(s), Deed(s), etc.) are recorded in the current system or systems that the Property is assigned to.

Title Endorsement

It is common for the title policy to have an exception in title: Reservation of Mineral and Metallic mines in favor of the State. The title company will need to issue an endorsement insuring the lender against any loss resulting from the exercise of that Reservation.

Texas

The State of Texas Constitution makes specific requirements that must be followed. If the following requirements are not met the loan cannot close:

- Important Notice to Borrower(s) – mandatory 12 calendar day waiting period between date the disclosure is signed by all borrowers and the date of closing.
- Review of the Title report and complete closing package are required by an Attorney that is licensed in the state of Texas.
- UPOL Review fee must be disclosed.
- **Cannot** close with a Life Estate Interest. A Deed removing Life Estate Interest to an individual interest must be executed and recorded at the time of closing. When a person(s) who holds a Life Estate Interest is no longer of sound mind, a Power of Attorney may not be used to remove the person(s) Life Estate Interest. In those instances, an executed Court Order removing said person(s) Life Estate Interest is required.
- **Cannot** close with an Eligible Non-Borrowing Spouse.

HECM Counseling

In the state of Texas HECM counseling cannot be completed more than 180 days prior to the loan closing. While HUD will allow closing to occur after the expiration date Texas law requires the loan to close no later than 180 days after counseling was completed. In addition, counseling cannot be completed less than 5 days prior to closing.

HECM-to-HECM Refinance

The state of Texas requires borrower(s) to attend HECM counseling regardless of FHA requirements being met to opt out of counseling. FHA requires that we abide by all State requirements so in all cases the borrower(s) CANNOT waive counseling on a HECM-to-HECM refinance.

Subordinate Liens

A subordinate lien that meets the requirements of the Handbook 4000.1 are acceptable permitting we obtain a satisfactory subordination agreement, and the fees for recording the agreement in the county records have been disclosed to the borrower(s) in accordance with RESPA requirements. There may be no outstanding or unpaid obligations, either unsecured or secured, arising from, or incurred in connection with the HECM transaction. This includes any outstanding or unpaid obligations on the subject property, or any other property owned by the borrower. In all cases the borrower(s) may not borrow funds from any source to close on a HECM.

If HECM proceeds cannot satisfy the first lien, the borrowers are prohibited from obtain interim financing, secured or unsecured, to cover the amount needed at closing and/or subordinating any portion of the lien that cannot be repaid with the HECM proceeds or other acceptable source of funds.

Example: Borrower(s) are refinancing an existing forward mortgage and the HECM proceeds will be insufficient to cover the mortgage payoff, closing costs, and other debts. The borrower(s) is prohibited from obtaining financing to cover the amount needed at closing and/or subordinating any portion of the forward mortgage that cannot be satisfied with HECM proceeds or other acceptable source of funds.

All existing second liens, as evidenced by the title and credit reports, can be satisfied at time of closing permitting the lien(s) meet the requirements in the Handbook 4000.1. Existing liens, unless prohibited may also be re-subordinated to third lien position behind the first and second, as applicable, HECM liens.

It is the Lender's responsibility to ensure that the first and second HECM liens, are the first and second liens of record and that other subordinate liens do not intervene between the first and second mortgage.

After a HECM loan is insured the borrower(s) are not restricted from seeking a home equity loan or engaging in another type of real estate financing which would require an additional lien to be subordinated to the HECM first and second liens.

Subordination Agreement

A satisfactory subordination agreement from the existing lender/lien holder is required. The subordination agreement must reflect the full amount of the existing lien, account for the maximum mortgage amount of 150% of the Maximum Claim Amount, must not place any restrictions on the reverse mortgage lender, HUD or terms of the HECM, must reflect the lien will be in third (3rd) lien position for HECM Adjustable Rate, and second (2nd) lien position for HECM Fixed Rate.

Survey Requirements

A survey from a licensed surveyor is required at the underwriter's discretion and when:

- Title company requires.
- There is a discrepancy in the legal description, lot size, or the ingress or egress.
- Well and septic distances are in question.
- Encroachments are present.
- The appraiser requests.

State-specific requirements

Florida

A copy of the survey and a Survey Affidavit to be signed closing.

Ohio

Refinance: Copy of the survey or a Survey Affidavit to be executed at closing.

For New Construction or a Purchase: a new survey is required.

Texas

Copy of survey or title to confirm issuance of T19 endorsement with no survey related exceptions. When property legal description is a Lot & Block, a Survey Affidavit is acceptable. When property legal description is Metes & Bounds a Survey is required. For a HECM for Purchase, a survey is required.

New Mexico

Copy of survey for title to issue Alta 9 endorsement. When property is a plotted subdivision with no changes then an Improvement Location Report (ILR) is acceptable for title to issue Alta 9. For a HECM for Purchase, a survey is required.

Note: For the above states the title company may require a Survey if the chain of title, a Survey Affidavit, or an Owner's Affidavit discloses any information that would prevent title coverage and/or an Alta 9 endorsement.

Trust

An arrangement whereby legal title to the property is transferred by the grantor (or Trustor) to a third (3rd) person called a Trustee. The Trustee holds and manages the property for the benefit of another, called a beneficiary. The borrower(s) must be the only Primary Beneficiaries of the Trust, but they do not have to be the Trustee of the Trust. The Settlor/Grantor(s) may designate another individual or individuals to be the Trustee(s).

Definitions

Living Trust refers to a type of trust that is created and takes effect during the creator's lifetime.

Trustee refers to the person charged with the administration of the Living Trust.

Primary Beneficiary refers to a person that is first in line to receive the benefits of the Living Trust.

Contingent Beneficiary refers to a person who is entitled to the benefits of the trust only upon the death of the primary beneficiary.

Longbridge will originate and purchase a HECM that is held by a Living Trust, either Revocable or Irrevocable, provided the requirements stated in HUD Handbook 4235.1, Chapter 4, Section 4-5 or for FHA Case Numbers assigned on or after 4/29/24 Handbook 4000.1 and this guide are met.

General Requirements

- A complete copy of the Trust Agreement, all addendums, and amendments are required.
- The Trust must be reviewed by Legal Counsel, DE Underwriter, and the Title company; and
- If the Trust is altered in any way after it has been reviewed and approved, it will need to be re-evaluated by the Underwriter, Attorney, and the Title company.

Types of Trusts

- Revocable Trust – A trust that is created by an individual during his or her lifetime and can be changed or cancelled by its creator (grantor) at any time, for any reason, during that individual's lifetime. The Trustee is typically the same person as the grantor. This type of trust is also known as a Revocable (Living) trust.
- Irrevocable Trust – A trust that is created by an individual during his or her lifetime and cannot be changed or cancelled once it is set up without the consent of the beneficiaries (Primary and Contingent Beneficiaries). An irrevocable trust is an arrangement in which the Grantor(s) permanently departs with the ownership and control of the property.

Eligibility Requirements

Trusts must meet FHA guidelines for HECM loans as set forth in HUD Handbook 4235.1, Chapter 4, Section 4-5 or for FHA Case Numbers assigned on or after 4/29/24 Handbook 4000.1. In general, Living Trust will be allowed if it meets FHA HECM guidelines as well as the following:

- The trust document must name one or more trustees to hold legal title to manage the property that has been placed in trust. The Trustee(s) may be person(s) other than our HECM Borrower(s).
- The trustee(s) must have the power to encumber the subject property for the purpose of securing a loan for the party (or parties) who are the Borrowers under the Note.
- LBF must be satisfied the Living Trust is valid and enforceable, providing Longbridge with a reasonable means to assure it is notified of any subsequent change of occupancy or transfer of beneficial interest.
- The title insurance policy must assure full title protection to LBF and must state that title to the secured property is vested in the Trust. It must not list any exceptions with respect to the Trustee(s) holding title to the property or to the Trust.
- Each Trustee must separately execute the Note (in all instances), Truth-In-Lending, Notice of Right to Cancel, HUD-1, the Mortgage/Deed of Trust, and any applicable riders necessary to create a valid first mortgage lien under state law.
Note: A Trustee is specifically prohibited from signing the Loan Agreement.
- Each borrower/current beneficiary/grantor must sign all documents including the Note, Mortgage/Deed of Trust, and any applicable riders necessary to create a valid first mortgage lien under state law.
- Deed/Title Vesting to include the Trust name and Date is required. When the Trust has been Amended and Re-stated then the deed/title vesting must reflect same which may require new deed preparation and recording. Due to the Trustor/Settlor/Grantor(s) ability to amend and re-

state a trust the Lender must be able to verify that they have the most recent version of a Trust Agreement. A copy of the original Trust Agreement **is not** required.

- A Testamentary Trust **is not** an acceptable Trust agreement because it's a Trust that is created upon the death of the Trustor/Grantor/Settlor.
- A Power of Attorney cannot be used to sign on behalf of a Trustee of the Trust. If a Trustee is no longer mentally competent then they must be replaced with a Successor Trustee. Typically, the Trust Agreement names the Successor Trustee(s). An Affidavit of Successor Trustee will need to be completed and notarized.

Irrevocable Trust

An Irrevocable Trust may include restrictions on HECM proceed disbursements at the time of funding and during Loan Servicing. This is based on how the Irrevocable Trust Agreement is written and any such restrictions must be noted in the Attorney Opinion Letter. When such restrictions are noted, the Underwriter is to include a Prior to Funding Condition based on an ARM or Fixed rate product.

Irrevocable Trust with a Line of Credit – HECM proceeds at time of funding must be paid to the Trustee on behalf of the Trust. All draw requests or scheduled monthly payments disbursed after funding (loan servicing) must be made to the Trustee on behalf of the Trust and deposited into an account held in the name of the Trust and controlled by the Trust.

Irrevocable Trust with a Single Lump Sum Distribution – HECM proceeds at time of funding must be paid to the Trustee on behalf of the Trust.

State of Texas

Longbridge will originate and purchase loans closed in Trust in Texas when all the following requirements are met:

- Trust must be unconditionally Revocable by any settler/grantor/trustor or beneficiary without the consent of another person.
- All current/primary beneficiaries must be an eligible HECM borrower.
- Each Trustee must be a primary beneficiary of the Trust and reside at the property (e.g., cannot have a child, any other person, or any other entity as a Trustee when that person or entity is not a primary beneficiary of the Trust, and does not reside at the Property).
- The trust must authorize the Trustee(s) to be able to mortgage and borrow against the subject trust property.
- The trust must own 100% of the subject property. i.e., the property cannot be held by more than one (1) trust or other individual owner(s).
- An attorney opinion letter from Paul Lovegrove, PC **or** Maria Greco, Esq. stating that the trust satisfies all the above conditions and HUD Handbook 4235.1 § 4-5 or Handbook 4000.1 for case numbers assigned on or after 4/29/24. An Attorney Opinion Letter from any other legal counsel will not be accepted for Trust in Texas.

- The preliminary title report is issued by Senior Settlement Services, Inc or Allegiant Reverse Services. A lender title insurance policy from any other provider may be accepted on a case-by-case basis and requires approval from VP of Operations, or VP of Credit or SVP of Compliance and Legal.
- A Certificate of Trust will not be accepted. A copy of the entire executed Trust Agreement is required.

To close in Trust in Texas we must meet all the requirements in this section and HUD Handbook 4235.1, Chapter 4, Section 4-5 or for FHA Case Numbers assigned on or after 4/29/24 Handbook 4000.1.

Trust Review and Approval

Title company review

The Trust must be reviewed and approved by the title company issuing title insurance on the loan. If the title company does not complete a Trust review, then they need to provide a written statement stating the same.

Note: The title company reviews the Trust only for title insurance purposes and does not review to determine if the Trust meets the requirements of Handbook 4000.1 or this guide.

Attorney Review

For Revocable trusts, the trust documents must be reviewed and approved by a Trust Review Attorney or the Closing Attorney.

Note: For state of Texas Attorney Opinion Letter is acceptable from Paul Lovegrove or Maria Greco only.

For Irrevocable trusts, the trust documents must be reviewed and approved by an LBF Approved Attorney either Paul N. Lovegrove, PC, Maria J. Greco, Esq, or Jay Resendez Esq.

The purpose of the review is to ensure that the Trust:

- Is valid,
- Complies with laws of the state in which the property is located,
- Provides the right to mortgage, pledge, encumber the subject property, and
- Meets FHA guidelines.

An Attorney Opinion letter must be provided to LBF prior to the closing documents being drawn.

If the Closing Attorney reviews the Trust a Trust review fee **may not** be charged to the borrower at closing. Only when a Trust review is completed by an independent 3rd party that has no other involvement in the transaction can a Trust review fee be charged to the borrower. For any Trust Review Fee that can be charged to the borrower it must have been disclosed to the borrower(s) in accordance with RESPA requirements.

Underwriting Review

An LBF DE Underwriter must review:

- The Trust,
- Attorney Opinion Letter. All information (borrower(s) names, Trustee(s), Beneficiary(ies), Lender) must be correct. All information must match to vesting in title.
- Any attorney prepared Amendment to Trust to validate that the borrower(s) are eligible borrowers, are 62 years old, occupy the property as his/her/their primary residence, borrower(s) are the sole current beneficiaries of the Trust.

A loan where the Trust has not been reviewed in accordance with the above requirements is not eligible to close nor be purchased.

Closing Documents

- The Amendment to Trust, if applicable, must be completed and executed by the Trustee(s) and Beneficiary(ies) at or prior to closing for Revocable Trusts.
- LBF's Trust Review Attorney shall prepare an Amendment between Borrower and Trustee to be executed by the Trustee and Beneficiary at or prior to closing for Irrevocable Trusts.

Land Trust

- A land trust is an agreement whereby one party, the trustee, agrees to hold ownership of a piece of real property for the benefit of another party, the beneficiary.
 - Property owners use land trusts to keep information about their assets private. The value of the property is available through public records, but the records reflect the name of the trust as the owner.
- Note:** Land trust is most common in the State of Illinois.
- Eligible land trusts must meet the following requirements:
 - All beneficiaries of the trust are eligible borrowers at the time of loan origination, and until the mortgage is released. Contingent beneficiaries do not need to be eligible borrowers as they have no benefit from the trust and have no control over assets.
 - The borrower/beneficiary must occupy the property as a principal residence.
 - No new beneficiaries can be added to the trust.
 - The Note and Mortgage/Deed of Trust include the Number of the trust, and the date the Trust was created.

The borrower/beneficiary signs the standard closing package, and the following documents:

- Letter of Direction. This document lists all the documents that the Trustee is to execute.
- Collateral Assignment for Beneficial Interest
 - Must be signed by all Beneficiaries.
 - Must be signed by the Lender.

Note: Cook County - If a lender is lodging a Collateral Assignment for property located in Cook County, a Facsimile Assignment of Beneficial Interest must be recorded prior to closing as required by law.

Note: Chicago - If the subject property is in the City of Chicago, you will need to obtain an Exempt Full Payment Certificate from the City of Chicago Department of Water before the document can be recorded.

Note: Other Municipalities - If the municipality where the property is located has an exempt transfer stamp ordinance, this stamp must be obtained prior to recording.

The Trustee must sign the following documents:

- Note
- Mortgage/Deed of Trust and all Riders (as applicable)
- Notice of Right to Cancel
- Truth-In-Lending Disclosure or Important Terms

The trustee does NOT sign:

- Loan Agreement

Note: The borrower/beneficiary may issue instructions to the lender to permit the Trustee to exercise one or more rights stated in the Loan Agreement on behalf of the Beneficiary, such as the right to receive loan advances, or to request changes in the payment plan.

Verify that the trust:

- Is valid and enforceable, and
- Notifies the lender of any change of occupancy or transfer of beneficial interest.

[Attorney Opinion Letter](#)

A full copy of the land trust agreement with any amendments or addendums must be reviewed and approved by LBF approved outside counsel. Outside counsel must provide an Attorney Opinion Letter.

[Anonymous Land Trust](#)

For anonymous land trusts, the beneficiary does not sign the Mortgage or Rider, as applicable.

[Definitions:](#)

[Beneficiary\(ies\) or Beneficial Owner\(s\):](#)

This refers to the property owner or owners and must be the borrowers.

[Power of Direction:](#)

The holder of the power of direction is the person authorized to direct the trustee to execute documents, including loan documents.

Letter of Direction:

This letter, signed by the holder of the power of direction, authorizes the trustee to execute the document(s) contained in the letter of direction.

Collateral Assignment of Beneficial Interest:

This is the agreement that secures the lender's interest in the beneficial interest of the trust and puts a lien on the beneficial interest in the trust. It is the land trust equivalent of the mortgage. However, since it is not recorded, it does not show up as a lien on record title. Most significantly, it gives the lender a power of direction in the land trust and may allow foreclosure outside the court-monitored foreclosure process through a UCC Article 9 personal property foreclosure.

Facsimile Assignment of Beneficial Interest for Collateral Purposes:

One page document used to notify state, county, and municipal bodies of a transfer of interest within the land trust. This only needs to be recorded if the subject property is in Cook County.

Unlicensed Practice of Law (UPOL)

The unauthorized practice of law is performing legal services, creating legal documents, or offering legal advice as a person who is unlicensed, disbarred, or with no bar admission authorizing an individual to be able to do so.

To be compliant loan closing documents and/or preliminary title insurance must be reviewed and approved by a state licensed attorney. In these states we are to disclose a UPOL fee and not a Document Prep fee. This must occur in the following states:

- Arkansas
- Hawaii
- Kentucky
- Ohio
- Texas.

HECM for Purchase

HECM Counseling Fee

The HECM counseling fee can be paid by an Interested Party Contribution made by a Builder, Developer, or Real Estate Agent. The HECM counseling fee cannot be paid for by a Lender or a Broker (Third Party Originator).

Proposed Construction Property

Longbridge only allows the origination of a HECM loan for site-built housing that is Proposed Construction with an approved exception from Longbridge Operations Management. This is due to the

additional requirements for Proposed Construction to ensure all FHA requirements are met and HECM is insurable.

Site Built Housing – Under construction

Longbridge requires a copy of the building permit only when a CO or equivalent is not issued by the local authority.

New Construction

On a HECM for Purchase transaction, New Construction and the appraisal report reflects on page 1 as Under Construction and Page 2 reflects “Subject to completion per plans & specifications on the basis of a hypothetical condition that the improvements have been completed” Longbridge will accept the Certificate of Occupancy issued by the local authority or a completed HUD-92051 Compliance Inspection Report from the Appraiser.

When a local authority does not issue a Certificate of Occupancy or equivalent, then a HUD-92051 Compliance Inspection Report completed by an ICC certified RCI or CI Inspector is required. When a certified RCI or IC Inspector cannot be located then the HUD-92051 completed by a disinterested third party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, and has met the licensing and bonding requirements of the state in which the Property is located is permissible. Documentation to evidence state licensing and bonding requirements are met is required.

A Temporary Certificate of Occupancy will be acceptable when there are outstanding items that cannot be completed due to weather conditions. Weather related items include but not limited to:

- Asphalt or concrete driveway installation.
- Landscaping e.g., planting of grass (seed or sod), bushes, trees, concrete sidewalks, etc.
- Exterior painting.

The seller/builder/developer must provide funds to be held in escrow by the title insurance company for the completion of the items upon weather conditions permitting. Upon completion a permanent CO or FNMA Form 1004D Appraisal Update/completion Report is required.

HECM Refinance

A HECM Refinance also known as a HECM to HECM (H2H) Refinance occurs when the HECM will pay off an existing HECM, and any other existing eligible lien that has been insured by FHA. To be considered a H2H Refinance not only does the loan have to be insured by FHA but the Borrower(s) and Property that serves as collateral must remain the same. I

HECMs to be insured under the HECM Refinance program must be processed and underwritten in accordance with the requirements in Handbook 4000.1 Origination through Post-Closing/Endorsement, except where otherwise noted in the HECM refinance section of the Handbook.

In addition to the Handbook 4000.1 requirements, the requirements within this guide must also be met for a HECM Refinance transaction.

Definitions

Churning refers to a practice whereby Lenders engage in multiple refinances to generate additional profit from fees and charges. The churned HECMs are not made in the interest of the Borrower and provide no financial benefit to the Borrower.

HECM Traditional refers to a transaction where a Borrower with legal title, leasehold interest, or possessory interest obtains a HECM to access equity in their current Principal Residence. For this to apply the borrowers have vested interest in the subject property at the time of HECM application.

HECM-to-HECM Refinance (HECM Refinance) refers to a new HECM where the proceeds will be used to pay off the property indebtedness of the current HECM and any existing eligible lien.

Original HECM refers to the first HECM that was endorsed by FHA. The original HECM may have been a purchase or refinance transaction.

For all HECM Refinances we will complete an H2H Refinance Calculator to validate that the seasoning requirement, closing cost and loan proceeds test meet the requirements of this guide. We will calculate the increase in Principal Limit based on the Current Principal Limit on the existing HECM to the HECM Refi (new loan) Principal Limit. The increase must be at least 5x times the total cost to refinance and the increase in loan proceeds is at least 5%. See the Closing Cost Test and Loan Proceed Test requirements further down in this guide. In all cases there must be sufficient Bona Fide Benefit to the borrower(s) for the H2H Refinance to close.

Anti-Churning Disclosure

FHA requires that the Anti-Churning Disclosure Form HUD 92901 be issued concurrently with the Good Faith Estimate (GFE). The purpose of the form is to ensure that the borrower(s) are not being induced to refinance an existing HECM without benefit to the borrower(s) and/or solely for the benefit of a broker or lender. A broker or lender shall provide the borrower(s) it best estimate of:

- The total cost of the refinance that will be paid by the borrower(s), and
- The increase in the principal limit as measured by the estimated initial principal limit on the new HECM less the current principal limit on the HECM that is being refinanced. The current principal limit is the remaining loan amount the borrower(s) could withdraw from the existing HECM.

If the existing HECM is a Fixed Rate, we will use the Original Principal Limit and if an ARM we will use the Current Principal Limit. For a HECM fixed rate loan product a mortgage statement or Refinance Worksheet may show an increase in Principal Limit, however the borrower(s) have no access to the increased PL since proceed disbursements on a fixed rate product cannot occur after closing. For an ARM we will use the increased PL because the borrower(s) do have access to those funds.

A broker or lender must also provide the borrower(s) with the best estimate of funds available to the borrower(s) minus any closing costs and other fees. This is the Available Principal Limit on the Reverse Mortgage Comparison.

How do I know if the Anti-Churning shows the 5:1 benefit is met?

As noted above the loan must meet the 5:1 benefit at the time of the **initial loan application** as evidenced by the Anti-Churning Disclosure for the borrower(s) and/or any NBS to opt-out of counseling.

The **total closing costs** x 5 cannot exceed the difference between the principal limit on the existing HECM minus the principal limit on the new HECM. If the total costs do exceed the Principal Limit increase, then the borrower(s) must complete HECM counseling.

Example Below: Block 1, Total closing costs are \$4245.85, x 5 = \$21,229.25. Block 2, The increase of \$28,327.96 is more than the 5xcosts so the loan passes for 5:1.

If closing costs were \$5,750 then it would fail because $5750 \times 5 = \$28,750$ exceeds the increase in principal limit.

provide HECM borrowers with their best estimate of:

1. The total cost of the refinancing to the mortgagor.	Mortgagee to input: \$ amount of the total of the upfront MIP plus other closing cost plus servicing set-aside.	MIP:	335.60
		Other:	3,910.25
		Set-aside:	0.00
		Total	4,245.85
2. The increase in the mortgagor's principal limit, as measured by the estimated initial principal limit on the mortgage to be insured less the current principal limit on the HECM that is being refinanced.	Mortgagee to input: \$ amount of new principal limit minus the \$ amount of the existing HECM principal limit.	NewPL	139,590.00
		ExistingPL	111,262.04
		Increase	28,327.96

In addition the mortgagee shall provide their best estimate of funds available to the borrower minus any closing costs or other fees. It is the dollar amount of the new principal limit minus total dollar amount from block #1 above minus payoff amount for the HECM that is to be refinanced. **24,280.87**

Anti-Churning Disclosure 5:1 benefit is not met

When the Anti-Churning disclosure is issued at time of initial application, and Anti-Churning shows the 5:1 benefit fails the borrower(s) and any NBS must receive HECM counseling. The loan must meet the 5:1 benefit at time of application **and** continue to meet the 5:1 throughout the loan process to opt-out of counseling.

When an FHA Case # was obtained prior to borrower(s) receiving counseling the Case # is not valid and a new Case # is required. The borrower(s) cannot be charged for any services (appraisal or flood certificate) that were ordered prior to the borrower(s) receiving HECM counseling. A new loan application will be required in this situation to have an Anti-Churning that reflects the 5:1 benefit being met.

The appraisal cannot have an effective date that is prior to the FHA Case # assignment date so a new appraisal report is required. The appraisal nor flood certificate can be ordered until a broker or lender has received a HECM counseling certificate that is signed and dated by the Counselor and all individuals required to receive HECM counseling.

In all cases where the borrower(s) and/or NBS opts out of counseling the documentation that the conditions for such a waiver have been met is required.

Benefit Requirements

- The existing HECM loan that is being refinanced must have closed at least 12 months prior to the FHA Case Number assignment date,
- The benefit of the HECM Refinance (the increase in the principal limit) must exceed 5x's the closing costs. Any POC items, such as the appraisal paid up-front will also be included in the benefit-cost ratio,
- The loan must pass the Loan Proceeds test,
- Any loan that does not pass the closing cost or loan proceeds tests must then pass the Bona Fide Benefit Test or review for exception by SVP Compliance and Legal or VP Credit is required,
- There must be a clear Net Tangible Benefit to the borrower(s), and
- The loan transaction and lender practices relating to any such loan transaction complies with any applicable state laws and regulations that may impose additional or related obligations to determine if a "net tangible benefit" or similar bona fide advantage is realized by the consumer, including without limitation those laws and regulations relating to "steering" and unfair, abusive, or deceptive lending practices.

When a loan passes only 1 of the tests (closing costs **or** loan proceeds) **and passes** the bona fide benefit test then there is sufficient benefit, and nothing further is required.

When a loan **does not** pass the closing costs, loan proceeds, **and** bona fide benefit **is not** present then an exception from LBF's SVP Compliance and Legal or VP Credit is required.

Other Requirements

The borrower(s) cannot be delinquent or in default on the existing HECM loan due to any of the following:

- Tax defaults/delinquencies*
- Past due or forced-placed Hazard or Flood Insurance
- Repair set-asides that have not been completed or satisfied.

Note: Any defaults must be cured prior to closing as evidenced by an updated Refinance Worksheet

*Tax delinquencies may be cured at the time of HECM closing permitting there is sufficient equity to satisfy the existing mortgage and the outstanding property taxes. Tax delinquencies will be considered as a part of the Financial Assessment requirements.

Counseling

HECM Counseling is required unless FHA's HECM to HECM counseling waiver requirements are met. In some states the borrower(s) and Non-Borrowing Spouse, as applicable, cannot Opt-Out of HECM counseling even if all FHA requirements to do so are met. All competent borrowers must be counseled, even if using a Power of Attorney for execution of loan documents.

Counseling Waiver

FHA will allow borrower(s) and any Non-Borrowing Spouse to Opt-out of the HECM counseling requirement only when all the below requirements are met.

- The **original HECM** was assigned a case number on or after August 4, 2014, and the borrower and Non-Borrowing Spouse, if applicable, **received counseling**; OR where the **original HECM** was assigned a case number prior to August 4, 2014, and there is no applicable Non-Borrowing Spouse,
- The borrower(s) have received form HUD-92900 HECM Anti-Churning disclosure in conjunction with the Good Faith Estimate,
- The increase in the borrower's principal limit (**as provided in the anti-churning disclosure at application**) exceeds the total cost of the refinancing by 5 times. The increase in the principal limit (Block #2 of the Anti-Churning Disclosure) exceeds the total cost of the refinance by an amount equal to five (5) times the cost (Block #1 on Anti-Churning Disclosure). This is commonly referred to as the 5:1 benefit, and
- The time between the date of the closing on the **original HECM** and the date of the application for refinancing does not exceed 5 years (even if a H2H refinance was closed within the past 5 years).

Note: In certain circumstances the Underwriter may require a copy of the Counseling Certificate or a copy of the executed Mortgage/Deed of Trust from the prior transaction.

When the existing HECM occurred due to the refinancing of a HECM and we are doing another HECM to HECM, we must determine and document the closing date on the **first HECM** (original HECM) refinance to document the 5-year requirement being met.

Counseling **cannot** be waived in the states of: California, Connecticut, Delaware, Indiana, Massachusetts, Minnesota, New York, North Carolina, Pennsylvania, Rhode Island, Tennessee, Texas & Vermont. These states require the borrower(s) and Non-Borrowing Spouse to attend HECM counseling regardless of FHA requirements being met to Opt-out of counseling. FHA requires that we abide by all State requirements as well, so in all cases the borrower(s) or Non-Borrowing Spouse CANNOT waive/opt out of counseling on a HECM-to-HECM refinance.

When a borrower or a Non-Borrowing Spouse is being added to the loan through a HECM-to-HECM Refinance then HECM counseling **must be** completed.

In all cases where the borrower(s) and/or NBS opts out of counseling, the documentation that the conditions for such a waiver have been met is required.

Required Documents

- Anti-Churning Disclosure issued at the time of initial application. Must be completed, signed, and dated by the Loan Officer and Borrower(s).

- Most recent monthly mortgage statement. The statement may be an older monthly statement if a fixed rate, or annual ARM.
- Completed HECM to HECM Refinance Calculator. For Quantum Reverse users this is completed within the system. For Reverse Vision User this is a calculator that must be completed outside of the system.
- HECM Refinance Worksheet from current lender/servicer. The Refinance Worksheet must be dated within 30 days of closing, and
- Payoff statement from current lender/servicer. Payoff must be good for at least 5 days past funding. The loan must close and fund by the payoff expiration date, regardless of per diem being noted. This is due to Interest and Monthly MIP being added to the balance on the first of every month, which changes the payoff balance.
Note: Any payoff statement that is 30 days or more past the quote/generation date then an updated payoff statement is required.
- Any other required documents as noted within the Refinance – HECM to HECM section based on the loan circumstances.

Existing HECM was a HECM-to-HECM Refinance

When a borrower(s) existing HECM was the result of a HECM-to-HECM Refinance there will be additional requirements to document compliance when a borrower and/or NBS have elected to Opt-out of completing HECM Counseling.

To Opt-out of counseling the time between the date of the closing on the **original HECM** and the **date of the application** for refinancing **cannot** exceed 5 years. Documenting the closing date of the borrower(s) first (original) HECM is required. The 5-year rule is applicable even when the borrower(s) have completed a HECM Refinance (H2H) in the previous 5 years.

For example, the **original HECM** closed on July 2, 2014, the HECM Refinance closed 12/6/17, and the application date is December 4, 2019. The original HECM closing date is not within 5 years of the **current** application date and the borrower(s) must receive HECM Counseling.

If found during the process of the loan that the original HECM did not close within 5 years of the current application date then the borrower and/or NBS, as applicable must receive HECM counseling and cannot be charged for services (appraisal and flood certificate) that were obtained prior to counseling.

A Case Query on the existing HECM pulled through FHA Connection will help you identify if the prior transaction was also a HECM Refinance. If the Initial MIP factor times the Maximum Claim Amount (MCA) does not match the Upfront MIP due, then that shows the prior transaction was also a HECM Refinance.

Below example, the Initial MIP factor is 2.50% times MCA \$380,000 equals \$9,500. The Upfront MIP due is \$8,200.00 so the prior transaction was a HECM Refinance.

Originator Name:			
Case Type:	DIRECT ENDORSEMENT HECM REFINANCE (ADP Code 962)		
Appraiser License:	WA1702384	Case Number Assigned Date:	05/16/17
Appraiser Name:	GHEZELAYAGH, KAKFUAD	Appraisal Logged Date:	10/30/17
Insurance Application Date:	01/29/18	Appraisal Update Processing Date:	
Insurance Date:	02/05/18	Closing Date:	12/06/17
Upfront MIP Due:	\$8,200.00	Upfront MIP Received Date:	12/15/17
Upfront MIP Received:	\$8,200.00	Upfront MIP Late Due?	No
Appraised Value:	\$380,000.00	TOTAL Score Date:	
Loan Term:		Maximum Claim Amount:	\$380,000.00
Prior Loan Before 7/1/91?	No	Refi Auth No:	
Closing Package Date:	01/30/18	Closing Package Resubmission Date:	
NOR Date:		NOR Resubmission Date:	
Case Canceled Date:			
Last Action Date:	02/05/18	Initial MIP Factor:	2.500%

Ethical Refinancing of HECM Reverse Mortgages

On October 30, 2015, the National Reverse Mortgage Lender's Association (NRMLA) released Ethics Advisory Opinion 2015-2, which contains new guidelines for ethical refinancing of HECM reverse mortgage loans. As a member of NRMLA, LBF is committed to following all NRMLA requirements. These guidelines are to be used to determine the benefit (or bona fide advantage) of a HECM-to-HECM refinance loan to the borrower. To be considered a bona fide advantage to the borrower, NRMLA has established tests which must be applied to each loan.

Exceptions

If the borrower's refinance factor is less than five (5) times the closing costs on the loan, and/or does not pass the loan proceeds tests the borrower(s) must write a letter of explanation that:

- Acknowledges that the benefit factor is not greater than five (5) times the closing costs on the loan,
- Indicates they are refinancing to add a Spouse or Other Household Member to the loan, and
- State that they wish to proceed with the transaction.

For Example: Adding a Spouse or Other Household Member that was not a borrower on the existing HECM or including an Eligible Non-Borrowing Spouse in the new HECM to protect his or her current and future interest in the property is a sufficient benefit.

Closing Cost Test

The increase in the borrower's principal limit from the prior HECM to the new HECM must equal or exceed five (5) times the closing costs paid by the borrower. For example:

Eligible Borrower	
Closing Costs	\$6,500
Principal Limit Increase	\$33,800
Refinance Factor	5.2

Loan Proceeds Test

The Available Benefit Amount from the new HECM, defined as the amount of Principal Limit that is available to the borrower after deducting the HECM loan balance, must equal or exceed 5% of the HECM Refinance Principal Limit. For example:

Eligible Borrower	
Principal Limit	\$200,000
Prior HECM Loan Balance	\$175,000
Available Benefit Amount	\$25,000
% of Principal Limit	12.5%

In addition to the above tests, NRMLA has defined a **Loan Type Test**. A HECM-to-HECM Refinance with the sole purpose of changing the type of HECM loan does **not**, by itself, provide a bona fide advantage to the borrower. The loan must also meet the requirements of the above described tests. A change in loan type includes, but is not limited to, a change from a fixed rate to an adjustable rate loan, a change between a monthly and an annual adjustable rate loan, or a change in rate cap.

See Benefit requirements when loan does not pass closing costs or loan proceeds tests.

Bona Fide Benefit

When a HECM-to-HECM refinance does not pass the Closing Cost and/or Loan Proceeds tests Longbridge will define a bona fide benefit when the new HECM meets the following criteria:

- Borrower(s) recently received HECM counseling,
Note: If requirements to Opt-out of counseling are met but HECM Counseling is required to meet Bona Fide Benefit then borrower(s) may be charged for services i.e., appraisal & flood certificate
- 12-month seasoning is met,
- Initial rate plus annual MIP is at least 1% lower than the current rate plus annual MIP,
- Margin is decreasing*, and
- Borrower(s) pay only the HECM counseling fee.

*If the margin is increasing follow the standard exception process.

For loans where the borrowers are paying closing costs, the current HECM to HECM testing (seasoning, closing costs & loan proceeds tests) requirements still apply. Additionally, on a “no closing cost loan” where the rate reduction is less than 1%, use the current exception process for review on a case-by-case basis.

Initial Mortgage Insurance Premium (IMIP)

The Handbook 4000.1 updates the IMIP calculation on a HECM Refinance. We must perform multiple calculations and use the lesser for the IMIP due at the time of closing. IMIP must be accurately disclosed on the initial Good Faith Estimate in accordance with RESPA.

Reduction of Initial Mortgage Insurance Premium (IMIP)

At least one Borrower from the original HECM must be a Borrower on the HECM refinance transaction to be eligible for reduced IMIP.

Calculation of IMIP

Lenders must use the formula below to determine IMIP due to HUD:

1. $IMIP_{(new)} = MCA_{(new)} \times IMIP\ rate_{(new)}$
2. $IMIP_{(old)} = MCA_{(old)} \times IMIP\ rate_{(old)}$
Or, if this HECM has previously been refinanced:
 $IMIP_{(old)} = MCA_{(old)} \times IMIP\ rate_{(old)} - \text{previous IMIP credit}$
3. $IMIP_{(limit)} = [MCA_{(new)} - MCA_{(old)}] \times 0.03 - IMIP_{(old)}$
4. $IMIP_{(due)} = \min (IMIP_{(limit)}, IMIP_{(new)})$
 $\quad \quad \quad x \geq 0$

$IMIP_{(new)}$ is calculated by multiplying the new IMIP rate by the new MCA of the Property being refinanced.

For HECMs being refinanced for the first time, $IMIP_{(old)}$ is calculated by multiplying the original IMIP rate by the original MCA of the Property being refinanced.

For HECMs previously refinanced, $IMIP_{(old)}$ is calculated by multiplying the prior IMIP rate by the prior MCA of the Property being refinanced, then subtracting IMIP credit previously applied.

$IMIP_{(limit)}$ is calculated by multiplying 0.03 by the difference between the new MCA and old MCA then subtracting the value calculated for $IMIP_{(old)}$.

$IMIP_{(due)}$ is the lesser of $IMIP_{(limit)}$ or $IMIP_{(new)}$ but cannot be less than zero.

If the IMIP paid on the existing HECM is greater than the new IMIP due, there will be no refunds. No additional credit is given for the IMIP paid on the last HECM transaction.

Calculation of Monthly MIP

Lenders must use the formula of one-twelfth of 0.50 percent multiplied by the outstanding mortgage balance to calculate the monthly MIP. The amount of the annual MIP will begin to accrue on the outstanding mortgage balance from the day after the expiration of the rescission period.

On the FHA Connection, pull a Case Query from the Case Processing Menu for the existing case # to confirm the Maximum IMIP credit available. The Max IMIP credit available is the amount shown on the Case Query in the Upfront MIP Received field.

Upfront MIP Due: \$4,047.00

Upfront MIP Received: \$4,047.00

Seasoning Requirement

For any refinance of an existing HECM loan, the FHA case number assignment for the new HECM must be at least 12 months after the closing date of the existing HECM.

In addition to the seasoning requirement, the above tests must also be met, unless the new HECM loan is originated at the request of the borrower(s), as documented by written request, to add a Spouse, Other Non-Borrowing Household Member, or an Eligible Non-Borrowing Spouse to the loan.

Insurance Guidelines

Flood Insurance

Flood insurance refers to insurance provided by an NFIP or Private Flood Insurance (PFI) policy that covers physical damage by floods.

A National Flood Insurance Program (NFIP) policy refers to insurance managed by FEMA that covers physical damage by floods.

A Private Flood Insurance (PFI) refers to insurance provided by a private insurance carrier that covers physical damage by floods.

If the property improvements (dwelling and related structures/equipment essential to the value of the Property and subject to flood damage) are in an area designated by FEMA as a Special Flood Hazard Area (SFHA) and NFIP insurance is available in that community, we must require the borrower(s) to obtain and maintain flood insurance for the life of the HECM.

To be eligible for FHA insurance, a property located in a 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.

Flood Zones Requiring Insurance

Flood insurance is required if the Flood Certificate shows the property is in any Zone beginning with the letter A, a Special Flood Hazard Area, or any Zone beginning with the letter V, a Coastal High Hazard Area.

If the Flood Zone is “none”, the area has not been mapped by FEMA. The loan may be originated, subject to underwriting review of the area for annual rainfall, last flood, and proximity to bodies of water assuming all other product and policy parameters are met.

Policy Effective Period

A policy must have 30 days remaining before renewal at closing for a refinance and 12 months for a Purchase.

- Policy must have at least 30 days coverage remaining as of the closing date.
- If the policy is expiring within 30 days of the closing date, evidence of renewal is required.
- If the borrower has not had a flood policy in place for the prior 12 months on the borrower(s) primary residence, then the full annual premium must be paid in full at closing.

Policy Premium

- Evidence premium paid in full or collect balance due.
- Renewal policy, collect balance due unless a payment schedule is obtained.
- If the payments are being paid by the lender we are paying off, we must collect the full balance due.
- If the policy is on a payment plan, we do not have to collect unless it is a NEW policy. Evidence it's on a payment plan is required.
- When a TISA is mandated the balance due must be paid in full at closing.

Evidence of Flood Insurance

Acceptable evidence of flood insurance includes either of the following:

- Copies of the flood insurance application and proof of premium payment must be obtained prior to closing, OR
- Copy of the flood binder or declaration page is required. The policy must verify that the annual premium has been paid in full or proof of premium payment must be obtained prior to closing, OR
- For refinance transaction only, a certificate of insurance including all critical information (e.g., state that the policy is in force, the insurer(s), dates in force, the entity and address of insured, types of coverage, limits purchased, deductibles, and signature of certificate provider)

Loan/Borrower information must be accurate:

- Borrower(s) are the person(s) noted as vested owners or will be vested owners in title at the time of loan closing,

- Property address is the same as the property address reflected on the USPS.
- The flood zone reflected on the evidence of flood insurance **MUST** match the flood zone reflected on the Flood Certificate.

Note: For new policies, full premium to be collected at closing, we can accept written confirmation from the Insurer that the policy effective dates will not change upon receipt of the annual premium, however if the policy is NOT in effect at the time of closing without full premium payment, then the full premium must be paid in full prior to closing and must be documented.

Private Flood Insurance (PFI)

If the borrower purchases a PFI policy in lieu of an NFIP policy, we must ensure the PFI meets the following:

- Is issued by an insurance company that is licensed, admitted, or otherwise approved to engage in 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 insurance 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 in located;
 - Provides flood insurance coverage that is at least as broad as the coverage provided under the standard flood insurance policy under 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 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, or the non-borrowing spouse where applicable, and the Lender. In cases where the lender has assigned the loan to HUD, the insurer must provide notice to HUD and the borrower or the non-Borrowing spouse where applicable.
- Includes information about the availability of flood insurance coverage under the NFIP;
- Includes a Mortgagee 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 NFIP.

Private Flood Insurance Policy Compliance Aid

The PFI 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.”

The PFI Compliance Aid may be made by the Insurance provider, attesting that a PFI policy meets the requirements of Flood Insurance in Handbook 4000.1. Lenders may rely on the PFI Policy Compliance

Aid to determine where a PFI policy meets the flood insurance requirements. A lender may not reject a policy solely because it's not accompanied by a PFI Policy Compliance Aid.

Deductible

- The maximum deductible for a 1-to-4-unit dwelling is \$10,000. The maximum deductible for a low rise or high-rise Condominium is \$25,000. Deductible may not exceed NFIP guidelines.
- This applies to federal and private flood insurance.
- For new policies and renewals that are effective on or after April 2021, the NFIP Regular Program the minimum deductibles will be as follows:
 - If the building coverage is \$100,000 or less, the minimum deductible will be \$1,000 for All Full Risk Zones: A, AE, A1-A30, AH, AO, V, VE & V10V30, AR/AR dual zones with elevation data and B, C, X, A99 and D and \$1,500 for Pre-FIRM subsidized Zones; A, AE, A1-A30, AH, AO, V, VE, and V1-V30, AR/AR dual Zones without elevation data;
 - If the building coverage exceeds \$100,000, the minimum deductible will be \$1,250 for All Full Risk Zones: A, AE, A1-A30, AH, AO, V, VE & V10V30, AR/AR dual zones with elevation data and B, C, X, A99 and D and \$2,000 for Pre-FIRM subsidized Zones; A, AE, A1-A30, AH, AO, V, VE, and V1-V30, AR/AR dual Zones without elevation data;

Mortgagee Clause:

Retail & Broker Originations to be listed as:

Longbridge Financial, LLC ISAOA

P.O. Box 39457

Solon, OH 44139-0457

PAA Originations to be listed as the lender on the 1009.

Coverage Amounts

Coverage for a 1 – 4-unit dwelling must be maintained for the life of the HECM and in an amount at least equal to the **lowest of** the following:

- 100% of the 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 the NFIP insurance available with respect to the particular type of property. Presently \$250,000.00 for single family or condominium.
- The outstanding principal balance of the Mortgage.

Where the outstanding principal balance of the Mortgage is issued to determine the amount of flood insurance coverage, flood insurance must be adjusted each renewal cycle to cover an amount at least equal to the outstanding balance at the end of the insurance coverage period.

Condominium Coverage Amount

Coverage must be equal to the **lesser of**:

- replacement cost of the covered improvements, or

- the NFIP maximum of \$250,000 per Condominium Unit multiplied by the number of condo units.

Continuous Coverage

Handbook 4000.1 includes a requirement for Flood insurance that we must review the insurance payment history to ensure continuous coverage for the preceding 12 months. Longbridge will accept the following documentation to support continuous coverage:

- Declaration page showing paid in full; OR
- Email from insurance agent/company confirming there has been no lapse in coverage in the preceding 12 months; OR
- 12-month payment history (cancelled checks, bank statements, payment schedule from agent, etc.); OR
- Mortgage statement evidencing taxes and insurance are escrowed. The title and/or credit report must evidence that the mortgage has been open for the preceding 12 months.

We cannot accept the current policy showing paid in full as that does not confirm continuous coverage for the preceding 12 months. We cannot prepay the current policy to meet this requirement.

If the borrower(s) have had a lapse in coverage or they did not have insurance coverage, we must prepay for 12-months at or before closing.

State Requirements

Connecticut

A Lender may not require any prospective borrower to obtain by purchase or otherwise a flood insurance policy more than the replacement value of the Property.

Massachusetts

Limitations on Required Coverage

We cannot require in a mortgage, note, or otherwise, that a purchaser or owner of residential property with 1-4 units purchase or pay for flood insurance on the property that:

- is at a coverage amount exceeding the outstanding principal mortgage balance at the beginning of the year that the flood insurance policy shall be in effect and, in the case of a home equity line of credit, home equity loan, or second or subsequent mortgage, the full value of the credit line, outstanding principal on the equity loan, or second or subsequent mortgage on that property at the beginning of the year that the flood insurance policy shall be in effect;
- includes coverage for contents; or
- includes a deductible of less than \$5,000.

You must mail or deliver the Notice about Flood Insurance Coverage to the purchaser or owner of the residential property by the same method, and at the same time, that the federal Notice

of Special Flood Hazards is provided. The required notice will print with the Flood Certificate when obtained through LBF's provider.

Required Documentation

- Life of Loan flood certification,
- If applicable, a
 - FEMA Letter of Map Amendment (LOMA);
 - FEMA Letter of Map Revision (LOMR); or
 - FEMA NFIP Elevation Certificate (FEMA Form 086-0-33); and
- A copy of the certificate of flood insurance, or if required, a complete copy of the flood insurance policy.

We must report the required flood insurance information in the HECM insurance application in FHA Connection.

Homeowners Insurance (HOI) a/k/a Hazard Insurance

The Borrower must insure all improvements on the HECM Property, whether in existence at the time of origination or subsequently erected, against any hazards, casualties, and contingencies, including fire and flood, for which the Lender requires insurance. Hazard insurance must be maintained in an amount and for the period of time that is necessary to protect the Lender's investment. Refer to the Handbook 4000.1 Condominium section(s) for additional insurance requirements.

We must review HOI payment history to confirm continuous coverage for the prior 12 months.

Homeowners insurance provides coverage to repair or rebuild the Property after events like fire, smoke, theft, vandalism, a falling tree, or damage caused by weather such as lightning, wind, or hail. Evidence of homeowners/hazard insurance for all properties (SFR, Condominium, PUD, 2–4-unit, Manufactured Housing) is required.

Policy Effective Period

The effective date of the policy must be equal to or earlier than the date of closing and cover a 12-month period.

Refinance

- Policy must have at least 30 days coverage remaining as of the closing date.
- If the policy is expiring within 30 days of the closing date, evidence of renewal is required.
- If the borrower has not had an HOI policy in place for the prior 12 months on the borrower(s) primary residence, then the full annual premium **must be paid in full at closing**.
- If current policy is paid in full you do not need a 12-month coverage history. If not paid in full the prior year policy is required.

Note: Texas: A borrower cannot be required to provide evidence of insurance more than 15 days before the termination date of an existing policy.

Policy Premium

- Evidence premium paid in full or collect balance due.
- Renewal policy, collect balance due unless a payment schedule is obtained.
- If the payments are being paid by the lender we are paying off, we must collect the full balance due.
- If the policy is on a payment plan, we do not have to collect unless it is a NEW policy. Evidence it's on a payment plan is required.
- When a LESA is voluntary or mandatory balance due must be paid in full at closing.

Purchase

- The policy must verify that the annual premium has been paid in full or the balance will be paid in full at closing, and
- Policy must have 12 months coverage before renewal.

Evidence of Insurance

- Policy or declaration page is required.
- Binders and applications are acceptable unless prohibited by law. Contact insurance agent to determine if a binder or application is acceptable. If allowed by law, the binder/application must contain the following information:
 - Agent certification that all inspections have been made, and state there is no change for cancellation except for non-payment of premium.
 - If a binder is acceptable under state law, term cannot exceed 60 days, unless otherwise addressed by state law.
- The policy must verify that the annual premium has been paid in full or the balance will be paid in full at closing.
- All requirements for the standard declaration page must be shown.
- The policy is properly countersigned.
- All HECM Borrower(s) must be listed as an insured party. Other person(s) e.g., Eligible Non-Borrowing Spouse or Non-Borrowing Owner that will have a vested interest in the subject property after closing may be listed as an insured or additional insured.
- Property address is the same as the property address reflected on the USPS.
- **Texas:** a HO-B Texas Homeowner's policy is preferred. If HO-A policy is obtained, Operations must ensure that it has an endorsement to add back additional perils covering sudden and accidental discharge, leakage, overflow or release of water or steam, fall of trees or limbs, objects falling from the weight of ice, snow, or sleet, collapse of building or breakage of glass.
- Policy is properly countersigned.
- Policy provides for at least 30 days prior written notice of any cancellation, reduction in amount or material change in coverage.

Coverage

- Standard Extended Coverage Endorsement is required,

- Policies that exclude or limit coverage (in whole or in part) for windstorm, hurricane, hail damages, earthquakes, etc. are unacceptable, unless we can obtain a separate policy or endorsement that provides adequate coverage for the limited/excluded coverage.
Note: Exclusion of earthquake coverage is permissible unless the Appraiser comments that the Property is in a seismic zone.
- Declaration page must specifically state the policy includes wind coverage in coastal areas
 - Coastal areas are areas surrounded by or that meet the sea or water. See our list of Coastal County Zip Codes.

Amount of Coverage

The hazard insurance policy must cover 100% of the insurable value of the improvements, unless the policy contains an endorsement that guarantees replacement costs. The amount of coverage must be either:

- The appraiser's evaluation of "total estimate of cost new,"; **OR**
- The total appraised value of the property minus the land value.

Continuous Coverage

Handbook 4000.1 includes a requirement for Hazard insurance that we must review the insurance payment history to ensure continuous coverage for the preceding 12 months. Longbridge will accept the following documentation to support continuous coverage:

- Declaration page showing paid in full; OR
- Email from insurance agent/company confirming there has been no lapse in coverage in the preceding 12 months; OR
- 12-month payment history (cancelled checks, bank statements, payment schedule from agent, etc.); OR
- Mortgage statement evidencing taxes and insurance are escrowed. The title and/or credit report must evidence that the mortgage has been open for the preceding 12 months.

We cannot accept the current policy showing paid in full as that does not confirm continuous coverage for the preceding 12 months. We cannot prepay the current policy to meet this requirement.

If the borrower(s) have had a lapse in coverage or they did not have insurance coverage, we must prepay for 12-months at or before closing.

Condominium

HO-6 coverage at 20.00% of the appraised value is required for all condominiums where the master or blanket policy does not include interior unit "walls-in" coverage, including replacement of interior improvements and betterment coverage to insure property improvements that the Borrower may have made to the Unit.

Planned Unit Development

When an HOA carries a Master or blanket insurance policy an HO-6 policy with coverage of at least 20.00% of the appraised value is required for any PUD where the master or blanket policy does not include interior unit “walls-in” coverage, including replacement of interior improvements and betterment coverage to insure property improvements that the Borrower may have made to the Unit.

Manufactured Home

Coverage for actual cash value is not permitted. Coverage must be sufficient dwelling coverage based on above requirements or replacement cost value.

Arizona

For any loan that is secured by real property, a lender shall not require as a condition of the loan that the borrower obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer**.

Arkansas

A Lender may not require, as a condition or term of the mortgage, that a borrower purchase casualty insurance on the property that is in an amount in excess of the fair market value of the property's buildings or appurtenances.

This restriction does not limit the right of the borrower to purchase replacement cost coverage on the property that is the subject of the mortgage.

California

A lender may not require hazard insurance in an amount that exceeds the replacement value of the improvements on the property. **Lenders must provide a borrower with notice of this prohibition** as soon as possible, but in any case, the notice must be provided before the borrower signs a promissory note or any security documents.

All lenders must accept written binders as proof of insurance at closing if the period specified in the binder is not more than 90 days from the date of issuance. The lender may refuse to accept the binder for reasonable cause.

Colorado

A creditor may not require a borrower to obtain hazard insurance in an amount that exceeds the replacement value of the improvements to real property.

Connecticut

A mortgage lender may not require any prospective mortgagor to obtain by purchase or otherwise a fire insurance policy, flood insurance policy, other extended coverage policy, or any

combination thereof, in excess of the replacement value of the covered premises as a condition for the granting a mortgage.

Delaware

A Lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer**.

Florida

A mortgage lender must not, in connection with any application for a mortgage loan which is secured by a mortgage on residential real estate, require any prospective mortgagor to obtain by purchase or otherwise a property insurance policy in excess of the replacement value of the covered premises as a condition for granting such a mortgage.

Hawaii

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer**.

Idaho

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer**.

Illinois

No lender may require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.

Indiana

A lender may not require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer**.

Iowa

A mortgage loan originator may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Maine

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Maryland

A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust, to provide or purchase **property insurance coverage or flood insurance coverage in an amount exceeding the replacement cost** of the improvements on the real property.

In determining the replacement cost of the improvements on any real property, the lender may accept the value placed on the improvements by the insurer or use the value placed on the improvements by the lender's appraisal of the improvements.

Massachusetts

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Michigan

A lender may not require the amount of insurance to exceed the replacement cost of the mortgaged building improvements.

Mississippi

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Missouri

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Montana

A mortgage lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

New Hampshire

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

New Mexico

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

New York

A lender or exempt organization may not require any borrower to obtain a hazard insurance policy in excess of the replacement cost of the improvements on the property.

North Dakota

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Ohio

A lender is prohibited from requiring a borrower to purchase homeowners insurance coverage or other residential property insurance coverage in an amount that exceeds the replacement value of the dwelling and its contents, regardless of the amount of mortgage or other financing arrangement entered into by the borrower. The fair market value of the land on which the dwelling is located must not be included in the replacement value of the dwelling and its contents.

Oklahoma

A lender may not require a borrower as a condition of financing a residential mortgage or providing other financing arrangements for residential property (including a mobile or manufactured home) to purchase homeowner insurance coverage, mobile or manufactured home insurance coverage, dwelling fire coverage, or other residential property coverage in an amount that exceeds the replacement value of the dwelling and its contents.

In determining replacement value for purposes of insurance, a lender may not include the fair market value of the land on which a dwelling is located.

A lender may accept the value of the dwelling determined by the insurer, or use the value placed on the dwelling that is determined by an appraisal of the real property by the lender to determine the replacement value.

Oregon

A lender may not cause or require a borrower to obtain property insurance in an amount that exceeds the replacement cost of the property subject to the residential mortgage loan.

Pennsylvania

A lender may not require a borrower to obtain property insurance coverage which exceeds the replacement value of buildings and structures situated on the land used to secure the loan. In addition, a borrower on a loan secured by real property may not be required to insure the value of the land.

Rhode Island

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

South Carolina

A lender may not require as a condition or term of the mortgage that the borrower purchase casualty insurance in an amount in excess of the replacement cost of the buildings or appurtenances on the mortgaged premises.

Tennessee

A lender may not require that the borrower procure insurance for the protection of the property in an amount that exceeds the replacement cost of the structures existing on the secured property at the time of the loan closing.

Texas

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Vermont

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Virginia

A lender may not require a borrower to provide or purchase property insurance coverage **or** flood insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement value of the improvements on the real property. In determining the replacement value of the improvements on any real property, the lender may:

(1) accept the value placed on the improvements by the insurer; or

(2) use the value placed on the improvements that is determined by the lender's appraisal of the real property.

A violation of the above requirements will not affect the validity of the mortgage or deed of trust securing the loan.

West Virginia

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer.**

Wisconsin

A lender may not cause or require a borrower to obtain property insurance coverage in an amount exceeding the replacement cost of improvements on the property, **as determined by the property insurer.**

Homeowner's Insurance - FAIR Insurance Plans

The Fair Access to Insurance Requirements (FAIR) plan refers to a government run program that aims to provide adequate insurance coverage for all homeowners. It's a state-mandated property insurance plan that provides coverage to individuals who are unable to obtain insurance in the regular market. The goal of FAIR plans is to ensure that everyone has access to insurance, regardless of their Property's risk factors or location. These plans are typically state specific, used as a last resort and provide basic coverage for properties that are considered high risk or difficult to insure due to factors such as location, age, or type of construction.

FAIR plans are typically more expensive and have limited protection than insurance obtained in the regular market. These plans are typically only intended to provide coverage for catastrophic events. FAIR Plan insurance coverage varies by state, but at the very least it usually includes dwelling coverage. **Coverage for personal belongings and additional structures on the**

property are usually only offered as optional policy add-ons. Generally, loss of use and personal liability coverages aren't offered via FAIR plans.

- In order to obtain a FAIR plan, the borrower may need to:
Make improvements that limit the risk of fire, theft or water damage, such as upgrading your electrical wiring, heating or plumbing systems, repairing your roof or improving security.
- If the borrower does not correct conditions that make the home prone to losses, the FIR plan administrator has the right to deny insurance coverage.

Longbridge requires all improvements that provide contributory value to the appraised value of the Property to be covered by the homeowner's insurance policy.

A standard homeowner's insurance policy covers the following perils:

Fire and smoke;

Lightning strike;

Windstorm & hail;

Vandalism & malicious mischief;

Theft;

Fallen objects;

Weight of ice, snow, or sleet; and

Water damage (does not include damage from a flood).

Flood Insurance:

Massachusetts

A lender may not require in a mortgage, note or otherwise a purchaser or owner of residential property with 1-4 units to purchase or pay for flood insurance on the property that:

(1) is at a coverage amount exceeding the outstanding principal mortgage balance at the beginning of the year for which the policy will be in effect and, in the case of a home equity line of credit, home equity loan or second and subsequent mortgage the full value of the credit line, outstanding principal on the equity loan or second or subsequent mortgage on that property at the beginning of the year for which the flood insurance policy will be in effect;

(2) includes coverage for contents; or

(3) includes a deductible of less than \$5,000.

If a lender requires in a mortgage, note or otherwise a purchaser or owner of a residential property to purchase or pay for flood insurance on the property, the creditor or creditor's representative and the insurance producer, must provide a notice to the purchaser or owner of the residential property at the time the purchaser or owner of the residential property is notified of the need to purchase or pay for flood insurance.

You must mail or deliver the Notice about Flood Insurance Coverage to the purchaser or owner of the residential property by the same method, and at the same time, that the federal Notice of Special Flood Hazards is provided.

The notice must be made clearly and conspicuously. In addition, the name of the borrower(s) and address of the residential property to be insured must be included.

The format of the notice must strictly conform as provided under the regulation. See [Notice of Flood Insurance Coverage](#).

Co-Insurance

Co-Insurance is the joint assumption of risk between the insurer and the insured, it is a penalty imposed on the insured by the insurance carrier for under reporting/declaring/insuring the value of tangible property or business income. The penalty is based on a percentage stated within the policy and the amount under reported. FHA does not allow Co-Insurance as an acceptable form of hazard insurance.

Example:

A building valued at \$1,000,000 has an 80% coinsurance clause but is insured for only \$750,000. Since its insured value is less than 80% of its actual value, when it suffers a loss, the insurance payout will be subject to the underreporting penalty.

For example: It suffers a \$200,000 loss. The insured would recover $\$750,000 / (.80 \times 1,000,000) \times 200,000 = \$187,500$ (less any deductible). In this example the underreporting penalty would be \$12,500.

Deductible Amount

The maximum deductible is 5.00% of the dwelling coverage amount unless a lower amount is required by state law.

Mortgagee Clause

Retail & Broker Originations

Longbridge Financial, LLC, ISAOA

P.O. Box 39457

Solon, OH 44139-0457

PAA originations – Lender listed on the 1009.

Title Insurance

Title insurance is a form of indemnity insurance which insures against financial loss from defects in title to real property and from the invalidity or enforceability of mortgage loans. A title commitment (preliminary title report) and 24-month chain of title/deed history is required for every loan. The title to the subject property must be good and marketable, and free and clear of all liens and encumbrances. The title policy must be written on the 2006 ALTA Standard form or the ALTA Short form.

We must verify evidence of a title insurance policy at least equal to the Maximum Claim Amount (MCA). The title insurance policy must show that:

1. The Borrowers owns or, for purchase transactions, will own the Property:
 - In Fee Simple; or
 - On a Leasehold that is under a lease with a duration lasting until the later of:
 - A renewable lease for not less than 99 years; or
 - A lease with the actuarial life expectancy of the Borrower; and
2. The Mortgage will be a first lien of record when recorded.

All title commitments must include:

- Mortgage and lien searches,
- Judgment search,
- Bankruptcy search,
- 24-month tax payment history,
- Covenants, Conditions & Restrictions, if applicable,
- Easements,
- Encroachments, and
- Endorsements as identified in this guide.

Date of Commitment

The commitment/effective date must not be older than 120 days at the time of closing.

Note: State of Texas the commitment/effective date cannot be more than 90 days old at time of closing.

Proposed Insured

Longbridge Financial, LLC, ISAOA (Retail & Broker Originations). **PAA originations** – Lender listed on 1009 including ISAOA.

Texas

In the state of Texas, the title company may not include ISAOA.

Title Coverage Amount

Minimum amount of Title coverage required is the Maximum Claim Amount. The Maximum Claim Amount is the **LESSER** of appraised value, purchase price, or HECM lending limit.

Vesting

A mortgagor is not required to be a borrower; however, any borrower is required to be on title to the property which serves as collateral for the HECM, and is therefore, by definition, also a mortgagor.

Mortgagor shall hold title to the entire property which is the security for the mortgage. If there are multiple mortgagors, all the mortgagors must collectively hold title to the entire property which is security for the mortgage.

If one or more mortgagors hold a life estate in the property, for purposes of this section only, the term “mortgagor” shall include each holder of a future interest in the property (remainder or reversion) who has executed the mortgage.

If Non-Borrowing Spouses and Non-Borrowing owners of the property will continue to hold title to the property which serves as collateral for the HECM, such Non-Borrowing Spouses and Non-Borrowing Owners must sign the mortgage as mortgagors, evidencing their commitment of the property as security for the mortgage.

All Non-Borrowing Spouses and Non-Borrowing Owners shall sign a certification that:

- Consents to their spouse or other borrowing owner obtaining the HECM,
- Acknowledges the terms and condition of the mortgage, and
- Acknowledges that the property will serve as collateral for the HECM as evidence by the mortgage lien(s).

Note: The Ownership Interest Certification must be executed by any Non-Borrowing Owners of the subject property who are being removed from title including any Eligible or Ineligible Non-Borrowing Spouse.

Minnesota

Only the HECM borrower(s) may have a vested ownership interest in the subject property after loan closing. Property held in Trust is permitted provide that the Trust meets FHA guidelines. See Trust section of this guide for all requirements.

Death Certificate

A death certificate is required when a deceased person is being removed from title. This includes any person named in a Trust.

An Affidavit of Death may also be required based on state requirements as determined by the Title company. The title company or settlement agent must state in writing that the deceased party can be removed from title at closing without Probate being completed.

Legal Description

- The legal description must match the most recent recorded Deed and the appraisal report.
- Any discrepancy in the legal description from the title to the appraisal must be resolved
- If the property has been recently subdivided the following are required:
 - Copy of the recent Survey
 - New Legal Description
 - Evidence of subdivision approval from the local municipality/county having jurisdiction over the subject property
 - Proposed Deed

Legal Restrictions on Conveyance (Free Assumability)

The Lender must determine that there are no legal restrictions on conveyance. The Property must be freely marketable. Conveyance of the property may only be restricted as permitted under 24 CFR 203.41 or 24 CFR 234.66 and this part, except that a right of first refusal to purchase a unit in a condominium project is permitted if the right is held by the condominium association for the project.

<https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-203/subpart-A/subject-group-ECFRbaa7f0c51334b2e/section-203.41>

<https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-234/subpart-A/section-234.66>

Legal Restrictions on conveyance means any provision in any legal instrument, law, or regulation applicable to the mortgagor or the Property, including but not limited to a lease, deed, sales contract, declaration of covenants, declaration of condominium, option, right of first refusal, will or trust agreement, that attempts to cause conveyance (including a lease) made by the mortgagor to:

- (i) Be void or voidable by a third party;
- (ii) Be the basis of contractual liability of the mortgagor for breach of an agreement not to convey, including rights of first refusal, pre-emptive rights or options related to mortgagor efforts to convey;
- (iii) Terminate or subject to termination all or a part of the interest held by the mortgagor in the mortgaged property if a conveyance is attempted;
- (iv) Be subject to the consent of a third party;
- (v) Be subject to limits on the amount of sales proceeds retainable by the seller; or
- (vi) Be grounds for acceleration of the insured mortgage or increase in the interest rate.

Policy for free Assumability with no restrictions. A mortgage shall not be eligible for insurance if the mortgaged property is subject to legal restrictions on conveyance except as permitted by this part.

- Exception for eligible governmental or nonprofit programs.
Note: Use link to obtain full details of requirements for Exception for eligible governmental or nonprofit programs – specific policies.
<https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-203/subpart-A/subject-group-ECFRbaa7f0c51334b2e/section-203.41>

- Exception for tax-exempt bond financing.
- Exception for protective covenants excluding non-elderly. Mortgaged property may be subject to protective covenants which prohibit or restrict occupancy by, or transfer to, persons who are not elderly if;
 - The restrictions do not have an undue effect on marketability; and
 - The restrictions do not constitute illegal discrimination and are consistent with the Fair Housing Act and all other applicable nondiscrimination laws.
- Exceptions for specific jurisdictions. Notwithstanding the provisions of Policy for free Assumability with no restrictions noted above, mortgages insured on certain Indian land or Hawaiian home lands under sections 247 and 248 of the National Housing Act and § § 203.43h and 203.43i shall not be ineligible for insurance under this section solely because applicable laws does not permit free alienability of title to all persons.

Taxes/Liens

- All liens on title must be paid off, omitted, or subordinated. See 4000.1 for permissible **Subordinate Liens**
- Documentation supporting an omission of a lien is required.
- Tax Search/Certificate must be current, indicate correct name/address, Tax ID#/SBL (Section, Block, Lot)/Legal Description and indicate all tax data. See **Payoffs section of this guide.**
- All taxes coming due within 60 days of closing must be paid in full.
- Any UCC filing or exception in title for Solar lease, Power Purchase Agreement must be terminated. Final title policy may not have exceptions for leased equipment or power purchase agreements.

Deferred/Delinquent Property Taxes

- All taxes must be brought current at closing.
- If property taxes are delinquent the borrower(s) must provide a detailed letter of explanation to explain why the taxes have not been paid. The borrower(s) must document the extenuating circumstances that lead to the taxes becoming delinquent. Based on the results of the Financial Assessment a Fully or Partially Funded Life Expectancy Set Aside may be required.

Easements, Restrictions, and Encroachments

The impact of all easements, restrictions, or encroachments on the market value of the subject property must be considered.

Easements

The following easements under the Title Company's General Waiver Guidelines will not cause the property to be uninsurable by FHA.

- An easement grants rights to access or use the real property of another person without possessing it. Customary easements in general will not cause the property to be uninsurable.

- Customary easements for public utilities, party walls, driveways, and other purposes
- Easements for public utilities along one or more of the property lines and extending not more than 100 feet from and for drainage or irrigation ditches along the rear 10 feet of the property – provided the exercise of the rights there does not interfere with any of the buildings or improvements located on the subject property.
- Easements for underground conduits which are in place and do not extend under any buildings on the subject property.
- Mutual easements for joint driveways constructed partly on the subject property and partly on adjoining property – provided the agreements creating such easements are of record.

Restrictions

Restrictions are general limitations as to the use or placement of real estate. LBF may allow the following restrictions under General Waiver guidelines without causing the property to be uninsurable by FHA.

- Customary building and use restrictions which:
 - Are coupled with a reversionary clause – provided there has been no violation prior to the date of the deed to the Commissioner; or
 - Are not coupled with a reversionary clause and have not been violated to a material extend.
 - If the restrictions set forth is being violated, LBF will review for one of the following allowable exceptions:
- Violations or cost or set back restrictions which do not provide a penalty of reversion or forfeiture of title, or lien for liquidated damages which may be superior to the lien of the insured mortgage.
- Violations of such restrictions which do not provide for such penalties- provided such penalty rights have been duly released or subordinated to the lien of the insured mortgage, or provided a policy of title insurance is furnished expressly insuring the Commissioner against loss by reason of such penalties.
- Violations of such restrictions based on race, color, or creed: even where such restrictions provide for a penalty or reversion or forfeiture of title or a lien for liquidated damages.

Encroachments

An Encroachment refers to an interference with or intrusion onto another's property.

We must ensure that the subject's dwelling, garage, or other improvements do not encroach onto an adjacent property, right of way, utility easement, or building restriction line. The lender must also ensure a neighboring dwelling, garage, or other improvements do not encroach onto the subject Property. Encroachment by the subject or adjacent Property fences is acceptable provided such Encroachment does not affect the marketability of the subject Property.

The appraiser must identify any Encroachments, of the subject's dwelling, garage, or other improvement onto an adjacent property, right-of-way, utility easement, or building restriction line. The

Appraiser must also identify any Encroachments of a neighboring dwelling, garage, or other physical Structure or improvements onto the subject Property.

Endorsements

The following endorsements are required for all Final Title policies:

- Restrictions, Encroachments, Minerals (Alta 9, CLTA 100, or T-19). Exceptions by management on a case-by-case basis. The Residential Mortgage Endorsement and deletion of all survey exceptions are required when an Alta 9 exception is made.
- Reverse Mortgage (Alta 14.3-06, CLTA 111.14.3, or T-43).
- Location (Street Address) (Alta 22 or CLTA 116). Not required in Florida, New York, Pennsylvania, or Texas.
- Environmental Protection Endorsement (Alta 8.1, CLTA 110.9 or T-36).
- Survey endorsement – required if the title company will not remove all survey exceptions.
- New Jersey – No Survey, Survey Endorsement.
- Texas T-30 Endorsement.

Endorsements as Applicable

- **NY properties ONLY** – Standard NY Endorsement and Waiver of Arbitration
- **Arkansas properties ONLY** – Arbitration Deletion Endorsement and Closing Protection Coverage Endorsement
- PUD (Planned Unit Development) (Alta 5, CLTA 115.2, or T-17)
- Condominium (Alta 4 or CLTA 115.1)
- Manufactured Home (Alta 7, 7.1 or 7.2 or CLTA 116.5)
- Leasehold – Leasehold Lender’s endorsement or equivalent

State Specific Requirements

Iowa - IOWA Title Guaranty Division

Title Guaranty is a division of the Iowa Finance Authority that guarantees Iowa real property titles, enables mortgage lenders to participate in the secondary market, and helps assure the integrity of Iowa’s land-title system. It offers commitments, certificates and endorsements that provide title protection for real estate located in Iowa.

Iowa Code Section 535B.4 (1), effective July 1, 2011, states that all closing agents used in the state of Iowa must be licensed and verified through NMLS Consumer Access to verify licenses, <https://www.nmlsconsumeraccess.org/>

A “closing agent” is defined under Iowa law as a person who is NOT a party to the real estate transaction, who provides real estate closing services.

“Real estate closing services” involve the administrative and clerical services required to convey or transfer Iowa real estate, or an interest in Iowa real estate, to a purchaser or lender. These services include, but are not limited to:

- Preparing settlement statements.

- Verifying that all closing documents conform to the parties' contract requirements.
- Verifying that all lender instructions are satisfied.
- Conducting a closing conference.
- Receiving and disbursing funds.
- Completing all necessary form documents and instruments in accordance with instructions of the parties to the transaction.

Note: "Real estate closing services" do NOT include performing ONLY notary functions.

New York - Municipal Searches

The following municipal/departmental searches are required for all HECM for Purchase with properties located within the New York City 5 Boroughs (Brooklyn, Bronx, Manhattan, Queens, Staten Island):

- Housing & Building,
- Environment Control Board (ECB),
- Emergency Repair,
- Fire,
- Judgments/Liens,
- Parking Bureau Violations, and
- Street Report.

The following additional searches are also required for **ALL** properties located in the State of New York

- Patriot Search(s)
- Bankruptcy Search(s)

Oklahoma

Oklahoma is an abstract state where title companies require the borrowers to obtain their title abstract and arrange for an attorney to review it before the title company provides a Title Commitment. If the borrower must obtain the abstract from a third party, the cost is typically \$400 to \$500. This amount can be paid on the final HUD-1.

Some title companies may provide a "Title Report" in lieu of the Title Commitment. However, this does not provide the same lender coverage as a title insurance policy. LBF requires a Title Commitment in each Oklahoma loan file prior to closing.

Texas

- Review of and approval of the title commitment and closing documents is required prior to closing and it's to be completed by an Attorney that is licensed in the state of Texas,
- ISAOA for proposed insured lender is not required,
- Title Commitment/effective date cannot be more than 90 days old at time of closing,
- . Title will require review of the Trust or Trust Certification to verify Grantor on Deed has powers to sign conveyance deed.,

- Cannot close with a Life Estate Interest. A deed removing Life Estate Interest to an individual interest must be executed and sent for recording at the time of closing. When a person(s) who holds life estate interest is no longer of sound mind, a Power of Attorney may not be used to remove the person(s) Life Estate Interest. In those instances, an executed Court Order removing said person(s) life estate interest is required,
- Cannot close with an Eligible Non-Borrowing Spouse,
- All Power of attorney's related to real estate closings are required to be executed in a title, attorney, or lender's office.

Property Guidelines

Longbridge defers to Handbook 4000.1 and the Appraisal Report and Data Delivery Guide for all applicable appraisal and Property requirements. The requirements noted in this section are Longbridge specific.

Link for HUD Handbook

https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgb

Link for Appraisal Report and Data Delivery Guide

https://www.hud.gov/sites/dfiles/SFH/documents/SFH_POLI_APPR_RPT_FIN.pdf

The Appraiser is responsible for understanding and following all HUD requirements as defined in the 4000.1 and the Appraisal Report and Data Delivery Guide.

Appraisal Management Companies (AMC)

Retail & Broker Originations – Longbridge requires that the appraisal be ordered through an approved AMC. Other vendors are allowed if the file is a case transfer where the appraisal was completed before the transfer.

The actual appraisal must be performed by an FHA approved appraiser. The appraiser must appear on FHA's Roster as an active/approved appraiser at time of appraisal completion, and for the state the subject property is located in.

Invoice(s)

The AMC must provide an invoice to cover the total amount due. If an Appraisal Completion Report (1004D) or Compliance Inspection Report (HUD 92051) is also obtained an invoice must be provided.

Ordering of Appraisal

Longbridge Operations staff will place appraisal orders and manage those orders with our approved AMC for all retail loan originations and for Broker and PAA loans where Longbridge is processing the application. Loan Officers, any member of the lender's staff that would earn commission on the loan, and/or any persons who report in any capacity to an officer of the lender whose area encompasses loan productions and loan processing, cannot communicate with the appraiser on any topics related to or having an impact on the value of the property.

Marijuana Plants

If the Appraiser reports or provides photographs that there are marijuana plants located at the Property it must be in a state that allows for medicinal or recreational marijuana use. We must document the state's guidelines to evidence the number of plants allowed per person/household.

Note: If there is an exception in the title that prohibits cultivation, distribution, manufacture, or sale of marijuana due to discrepancy in state law vs federal law, then the plants cannot remain on the property. Evidence of removal of the plants via an Appraisal Completion Report (1004D) is required.

Leased Energy System or Power Purchase Agreement – Solar power

Solar leases and Solar Power Purchase Agreement (PPA) are arrangements where the homeowner does not own the solar energy installation on their roof, it is owned by the lease or PPA company.

A Solar lease is an arrangement where the homeowner leases the solar panels and components, but the homeowner's relationship with their utility and how they buy/sell electricity, is no different than someone who owns a solar panel system. The homeowner pays fixed monthly lease payments for the duration of the lease term, usually 20-25 years.

A Solar Power Purchase Agreement (PPA) is an arrangement where the homeowner neither owns nor leases the solar system. The PPA company installs their own system on the roof and sells the homeowner the electricity it produces at an agreed upon amount. Depending upon the Agreement, the homeowner pays for only the electricity they use not a fixed monthly amount, or they can pay a fixed monthly amount. PPA contracts usually last 20-25 years.

A Solar Lease or Power Purchase Agreement must be reviewed by Paul Lovegrove or Maria Greco. A Solar review fee may be charged to the borrower at time of closing when the fee was disclosed in accordance with RESPA guidelines and it's reviewed by an independent 3rd party that has no other involvement in the transaction i.e., cannot be the Closing attorney. Legal counsel must provide an attorney opinion to confirm if the lease and/or power purchase agreement meets the requirements in this guide.

A home that operates with a leased Solar energy system or power purchase agreement (PPA) may be eligible for FHA-insured financing, but only when such agreements are free of restrictions that prevent the borrower(s) from freely transferring the property.

Such agreements are acceptable, provided they do not cause a conveyance (ownership transfer) of the insured property by the borrower to be:

- Void, or voidable by a third party.
- 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).
- Terminate or subject to termination all or part of the interest held by the borrower.
- Subject to the consent of a third party.
- Subject to limits on the amount of sales proceeds a borrower can retain (e.g., due to a lien, due on sale clause, etc.).
- Grounds for accelerating the insured mortgage; or
- Grounds for increasing the interest rate of the insured mortgage.

Any restrictions resulting from provisions of the lease or PPA do not conflict with FHA regulations unless they include provisions encumbering the real property or restrict the transfer of the real property.

Legal restrictions on conveyance of real property (i.e., the home) that could require the consent of a third party (e.g., energy provider, system owner, etc.), include but are not limited to, credit approval of a new purchaser, before the seller can convey the real property, unless such provisions may be terminated at the option of, and with no cost to, the owner.

If an agreement for an energy system lease or purchase power agreement could cause restrictions upon transfer of the home, the property is subject to impermissible legal restrictions and is generally ineligible for FHA insurance.

Required Documentation

Attorney Opinion Letter to validate that solar lease or power purchase agreements meets FHA guidelines.

UCC Financing Statement

When there is a solar lease or PPA a UCC Financing Statement has been recorded and will be noted in the Title requirements or title exceptions. A UCC is a lien on solar equipment, it is a fixture filing, and will need to be terminated or subordinated. If the Solar company will not terminate the UCC then it must be subordinated to the HECM first and second liens, as applicable.

California

Notice of Independent Solar energy System Producer Contract is a recorded notice informing us that there is a contract between the homeowner and a solar company regarding leased solar equipment on the subject property. This Notice may remain as an open exception in the title and a Solar Endorsement is required. See above on requirements for a recorded UCC.

PUD Questionnaire

For any property located within a Sun City community a PUD Questionnaire is required.

For any HECM for Purchase transaction a PUD Questionnaire and/or a preliminary HUD-1 Settlement Statement that include any fees to be paid to the Homeowner's Association is required.

FHA has established that projects with certain transfer fees or other types of fees are not eligible for FHA insurance due to not meeting Free Assumability (Legal Restriction on Conveyance) or other Code of Federal Regulation requirements. Transfer fees, community enhancement fees, etc. that are not standard administration fees, must be collected by an HOA that is a non-profit association and be used for the benefit of Unit owners.

A PUD Questionnaire may also be required at the Underwriter's discretion to determine property eligibility for FHA insurance. If the PUD questionnaire is not sufficient to determine eligibility, then project Covenants, Conditions and Restrictions (CC&Rs), bylaws, etc. may also be required.

Ineligible Planned Unit Development (PUD) Project

Any Property located within the Golden Spikes Estates in Rathdrum Idaho are ineligible for FHA insurance. FHA has determined that this project is ineligible due to multiple provisions that expressly violate Free Assumability, a/k/a Legal Restrictions on Conveyance.

As of July 2021, the prohibited terms include:

- (i) a pre-approval right and process that is under the exclusive control of Management.
- (ii) an outright prohibition on subleasing.
- (iii) a credit worthiness evaluation that is the LLD developer's discretion. To resolve these violations of 24 CFR 203.41, Golden Spikes Estates would need to amend the CC&R's, the Golden Spikes community guidelines, and the model lease to remove these impermissible restrictions.

Subject Property Listed for Sale

If the subject property is or has been listed for sale in the last 12 months the following will be required:

- Proof of MLS Listing Cancellation/expiration; AND
- Explanation/documentation from the borrower(s) verifying that the intent is to occupy the property after refinancing and no longer wants/needs to sell the property; AND
- Prior to closing, the borrower(s) will be required to execute the Verification of Occupancy.

Note: If the subject property is listed for sale after HECM application the loan is ineligible.

About the Manual

This manual is designed for the exclusive use of Longbridge Financial, LLC employees and business partners and is a source of reference for general information regarding reverse mortgages. Refer to Handbook 4000.1 and/or the Appraisal Report and Data Delivery Guide for information regarding any guidelines not specifically addressed in this manual.

While every precaution has been taken in the preparation of this manual, Longbridge Financial, LLC assumes no responsibility for errors or omissions.

We expressly reserve the right to add, withdraw, or change any of the information at any time without prior written notice. Longbridge Financial, LLC reserves the right to interpret, apply, and make exceptions to policy and/or procedures as deemed appropriate.

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If you have any questions or feedback about this manual, please contact your Sales Manager, Department Manager, or Account Executive.