

**REPORT OF THE
VIRGINIA HOUSING DEVELOPMENT AUTHORITY
AND THE VIRGINIA DEPARTMENT FOR
THE AGING ON**

**The Status of the
HUD Home Equity
Conversion Mortgage (HECM)
Initiative in Virginia and
Its Impact on Private
Lending Institutions**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 15

**COMMONWEALTH OF VIRGINIA
RICHMOND
1992**

Preface

House Joint Resolution No. 396 of the 1991 Virginia General Assembly strongly encourages the Virginia Housing Development Authority and the Virginia Department for the Aging to:

" . . .cooperatively promote and help create opportunities for home equity conversions or reverse mortgages for older Virginians in every reasonable way, on a continuing basis, including encouraging and helping Virginia's private lending institutions to offer home equity conversion mortgages; and . . .implement the U.S. Department of Housing and Urban Development (HUD) Home Equity Conversion Mortgage Insurance Demonstration Program."

In addition, the resolution requires the Authority, with the cooperation of the Department, to report to the 1992 Session of the General Assembly on:

" . . .the status of the HUD initiative and its impact on private lending institutions in Virginia."

The following report was prepared in fulfillment of the resolution's mandate by staff of the Virginia Housing Development Authority with the assistance of staff of the Virginia Department for the Aging.

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Executive Summary

House Joint Resolution No. 396 of the 1991 Virginia General Assembly strongly encourages the Virginia Housing Development Authority, with the assistance of the Virginia Department for the Aging, to actively promote private lender involvement in the making of home equity conversion mortgages through HUD's Home Equity Conversion Mortgage (HECM) Demonstration Program. Over the past year, the Authority and the Department have taken numerous steps to do so. Lenders have been informed about the program and invited to participate. The Authority has offered several participation options to lenders that enable them to originate HECM loans on the Authority's behalf without having to fund the loans directly or incur most program startup costs. Training has also been made available to lenders. Finally, the Authority and the Department have taken numerous steps to expand and improve the pre-application counseling required by HUD to be provided by nonprofit, third-party, HUD-approved counseling agencies.

To date, four lenders have agreed to originate HECM loans; two in Northern Virginia, one in Tidewater and one on a statewide basis. At present, HECM counseling is available in the Northern Virginia, Richmond, Tidewater, Charlottesville and Roanoke metropolitan areas. Elsewhere, counseling agencies are being recruited.

The primary barriers to further lender involvement are continuing concerns on the part of some lenders regarding the profitability of HECM lending and the lack of funding to support new and existing HECM counseling activities. While it appears that HUD may take steps to address the former concern, the problem of funding housing counseling is more intractable and will require concerned agencies and organizations to continue working toward cooperative and innovative solutions.

Chapter 1 — Introduction

Virginia was one of the first states in the nation to play a role in promoting home equity conversion and, today, remains in the forefront of the relatively small number of states actively involved in home equity conversion lending. This prominence has been the result of six years of cooperative efforts on the part of the Virginia Housing Development Authority and the Virginia Department for Aging to provide access to home equity conversion options for older Virginia homeowners.

Virginia first became involved in home equity conversion in 1985 when the Virginia Department for the Aging received funding from the U.S. Administration on Aging for a 15 month pilot project to provide education to older homeowners on home equity conversion and to test the market for various types of potential home equity conversion products. Following the completion of the pilot project, and in the absence of any private sector lending initiative, the Virginia Housing Development Authority and the Virginia Department for the Aging agreed to work toward the development of a demonstration home equity conversion loan program. The outcome of this effort was the Virginia Senior Home Equity Account, the first public or private line-of-credit home equity conversion product in the country. It offered homeowners age 62 or older the opportunity to borrow a portion of the equity in their home on a flexible basis with repayment deferred so long as the borrower continued to own the home and use it as their principal residence.

The Virginia Housing Development Authority offered Virginia Senior Home Equity Account loans in partnership with the Virginia Department for the Aging and 24 of the 25 Area Agencies on Aging in Virginia. The program was an overwhelming success. By October 1988 when the Virginia Housing Development Authority was finally ready to accept applications, over 900 persons had contacted the Authority with interest in receiving a loan. At the end of the brief eight week application period, the Authority had loan requests in excess of the \$3 million available. Thirty percent of initial requests dropped out prior to loan closing. However, through reallocation of funds, the Authority was able to close 139 loans totaling \$2.6 million within twelve months.

The Virginia Senior Home Equity Account Program demonstrated the need to involve private lenders and private capital in order to satisfy the very high level of need and demand for home equity conversion mortgages. The available vehicle for doing so is HUD's national Home Equity Conversion Mortgage (HECM) Insurance Demonstration which was expanded and opened to all HUD-approved mortgagees in May 1991. Under this program, HUD provides mortgage insurance to participating lenders to protect against losses on home equity conversion loans where the outstanding loan balance grows to exceed the value of the home. Fannie Mae has agreed to purchase HUD HECM loans, thereby, assuring the capital to fund the program on an ongoing basis. House Joint Resolution No. 396 of the 1991 Virginia General Assembly encourages the Virginia Housing Development Authority and the Virginia Department for the Aging to work cooperatively to involve private lenders in making home equity conversion mortgages through the HECM Program.

Chapter 2—Efforts and Results

Efforts to Involve Lenders

The HECM Program was designed to offer private lenders a profitable vehicle for making home equity conversion loans. However, lenders have not expressed a ready interest in participating. Their reluctance is due, in part, to the perceived high upfront costs of participation. Therefore, the Virginia Housing Development Authority is initially administering the HECM Program in order to both assure the availability of HECM loans in Virginia and to reduce the costs of participation for private lenders. The Authority is funding HECM loans in partnership with private lenders who agree to provide loan origination services on a fee basis. The Authority is absorbing most of the upfront overhead costs of program startup, thereby, making participation more profitable for lenders. The hope is that private lenders will be enticed to initially participate on a limited basis until they are experienced and comfortable with the program, at which point they will choose to originate HECM loans directly.

The following specific steps have been taken to involve lenders in the HUD HECM Program:

Invitation to Lenders to Participate

In late February 1991, the Virginia Housing Development Authority sent an invitation to all 88 Authority-approved originating agents inviting them to originate HECM loans for the Authority in one or more of the five market areas in Virginia served by HUD-approved counseling agencies (i.e., Northern Virginia, Tidewater, Richmond, Charlottesville and Roanoke).^{*} Lenders were offered three origination options in order to increase their interest in participating. Lenders could provide full origination services (i.e., take applications, prepare loan packages and handle loan closings) for the full one percent origination fee permitted by HUD to be financed by the borrower (an equivalent amount to what is paid to lenders for providing similar services under the Authority's home purchase program).^{**} In addition, lenders were offered more limited involvement. They could restrict their participation to taking loan applications on the Authority's behalf for a fee of \$250 per loan, or take applications and prepare loan packages for a negotiated share of the one percent origination fee. Lenders were provided with a summary of the HECM Program and a description of the three origination options being offered by the Authority. Interested lenders were sent a package of detailed program information. On-site staff training has been provided to all lenders that agree to participate in the HECM Program.

Additional Outreach to Lenders

- Following the initial invitation to lenders, Virginia Housing Development Authority staff have made presentations on the HECM Program at several meetings of mortgage bankers and have met with numerous individual lenders (in some cases, several times) to discuss the program and the range of participation options available.
- In late May 1991, the Virginia Housing Development Authority organized and hosted a one day complete "How-To" seminar for lenders on the HECM Program in Richmond. All lenders that had expressed any interest in the HECM Program were invited to attend. No registration fee was charged and lunch was provided. The principal presenter was Jeff Taylor, President of

* HUD requires all borrowers to receive consumer counseling from an independent, third party, HUD-approved counseling agency before applying for a HECM loan. See "Counseling for Borrowers" below.

** In the HECM Program, the origination fee is calculated based on the lesser of the home's appraised value or the FHA 203(b)(2) insurance limit for the jurisdiction in which the home is located.

Wendover Funding, Inc., which is the largest servicer of HUD-insured HECM loans in the country and which has the most experience in originating HECM loans.

- In late June 1991, the Virginia Housing Development Authority and the Virginia Department for the Aging met with the American Association of Retired Persons and the Virginia Association of Area Agencies on Aging to develop additional strategies for involving lenders in the HECM Program. In July 1991, the Virginia Association of Area Agencies on Aging wrote to the Virginia Mortgage Bankers association encouraging their members to consider participating in the HECM Program.

Counseling for Borrowers

An additional barrier to lender participation in the HECM Program is the availability and quality of counseling for borrowers. HUD requires all HECM Program borrowers to receive consumer counseling from an independent, third-party, HUD-approved counseling agency prior to making an application for a HECM loan. Since lenders can only administer the program where counseling is available, lender activity in Virginia is presently restricted to the Tidewater, Richmond, Charlottesville and Roanoke areas where there are HUD-approved counseling agencies participating in the program. Lenders are also concerned about the quality of counseling which, nationally, has been uneven. Poor quality HECM counseling can significantly increase the workload for lenders and, thereby, acts as a disincentive to participate.

The following specific steps have been taken to expand the availability of HECM counseling and improve its quality:

- Area Agencies on Aging provided consumer counseling to borrowers who participated in the Virginia Senior Home Equity Account demonstration home equity conversion program. Therefore, they are considered to be potential providers of HECM counseling. In February 1991, the Virginia Housing Development Authority provided all Area Agencies on Aging with information on the HECM Program, the Authority's plans for program implementation, a listing of all HUD-approved counseling agencies in Virginia, a summary of HUD counseling requirements and an explanation of how to apply to HUD for approval to provide HECM counseling.
- In March 1991, the Virginia Housing Development Authority, with assistance from the Virginia Department for the Aging, convened a meeting of local organizations in Northern Virginia with interest in the HECM Program in order to seek cooperative solutions to the lack of counseling in Fairfax, Arlington and Alexandria where lenders were interested in originating HECM loans.
- In May 1991, the Virginia Housing Development Authority, with the assistance of the Virginia Department for the Aging, organized and funded a special two-day HECM counselor training session in Richmond to which all Area Agencies on Aging and HUD-approved counseling agencies in Virginia were invited. This session provided access to training for Virginia organizations unable to travel to the four national training sessions sponsored by HUD in 1991. The Authority also worked with the American Association of Retired Persons to arrange for Richmond to be one of four national training sites in January 1992.
- In late June 1991, the Virginia Housing Development Authority and the Virginia Department for the Aging met with the American Association of Retired Persons and the Virginia Association of Area Agencies on Aging to develop strategies to expand HECM counseling, including the possible use of volunteer counselors through the American Association of Retired Persons' Comprehensive Housing Information Service for Seniors (CHISS) Program.
- Throughout the summer of 1991, the Virginia Housing Development Authority provided technical assistance to the Arlington Agency on Aging, the Fairfax Financial Education Center, and Senior Citizens Employment and Service of Alexandria, Inc. in their efforts to become

HUD-approved HECM counseling agencies. In September 1991, the Authority provided supplemental HECM counselor training to staff of the Fairfax Financial Education Center and Senior Citizens Employment and Service of Alexandria, Inc.

- In August 1991, the Virginia Housing Development Authority and the Virginia Department for the Aging met with S.T.O.P., the HUD-approved counseling agency in Southeastern Virginia, and SEVAMP, the Area Agency on Aging serving that region, to develop a cooperative plan for SEVAMP to assist S.T.O.P. with applicant pre-screening in order to help reduce an expected backlog of demand for HECM counseling in Tidewater. A similar cooperative plan was developed between the Fairfax Financial Education Center and the Fairfax Area Agency on Aging.
- In October 1991, the Virginia Housing Development Authority notified several existing and prospective HECM counseling agencies of the opportunity to seek limited grant support for HECM counseling through Fannie Mae and the Fannie Mae Foundation. The Authority is independently pursuing Fannie Mae grant support for HECM counseling in Virginia. The Authority has also assisted the Fairfax Financial Education Center in soliciting the private donation of computers for use in HECM counseling.
- In October 1991, the Virginia Housing Development Authority provided training for volunteer staff of T.A.P., the HUD-approved counseling agency serving the Roanoke area.

Status of the HUD Initiative

Lender Participation

The Virginia Housing Development Authority's initial invitation to lenders elicited ten letters of interest; seven from Northern Virginia, two from Richmond and one from Tidewater. Three of the responses came from the mortgage subsidiaries of large Virginia-based banks, one came from a large savings bank and six came from independent mortgage firms. All initial responses were followed up with detailed program information and an invitation to submit a formal participation request. Three of the original ten respondents submitted formal proposals to participate, one of which has not yet followed through on executing an origination agreement. Both of the initial respondents that did agree to execute origination agreements with the Authority (Ameribanc Savings and Mortgage Capital Investors, Inc.) chose to originate HECM loans in Northern Virginia. Origination agreements were executed with both lenders in the summer of 1991.

Continued outreach by the Virginia Housing Development Authority and the Virginia Department for the Aging has resulted in additional expressions of interest. As of November 1991, a total of 25 lenders have contacted the Virginia Housing Development Authority for information about the program; eight from Northern Virginia, seven from Richmond, nine from Tidewater, and one from Roanoke. Of those 25, five have executed origination agreements with the Authority (Ameribanc Savings and Mortgage Capital Investors in Northern Virginia, Crestar Mortgage Corp. and First Union Mortgage Corp. in Tidewater and Tidewater First Financial Group which is taking HECM applications on a statewide basis.). However, First Union Mortgage Corp., which initially signed an origination agreement, subsequently ended its involvement with the HECM program after originating two loans. The reason cited by First Union was the relatively low value of the two homes which resulted in origination fees too low to cover costs. In contrast, Tidewater First Financial Group, which has aggressively pursued HECM loan origination, has decided to directly fund HECM loans for borrowers whose income exceeds limits set by the Virginia Housing Development Authority.

Counseling Availability

Efforts by the Virginia Housing Development Authority and the Virginia Department for the Aging to recruit additional nonprofit organizations to become HUD-approved counseling agencies have resulted in four organizations making application to HUD: the Arlington Agency on Aging; the Fairfax Financial Education Center; Senior Citizens Employment and Service of Alexandria, Inc. and the Capital Area Agency on Aging. The Fairfax and Alexandria applications have recently been approved. The other applications are pending. In addition, S.T.O.P. and SEVAMP are working cooperatively in Southeastern Virginia, and the Fairfax Financial Education Center and the Fairfax Area Agency on Aging are working cooperatively in Fairfax County, to facilitate HECM counseling in their respective areas.

Lending Activity

Lenders began accepting HECM loan applications in late August 1991 in Northern Virginia and Tidewater. In December 1991, Tidewater First Financial Group agreed to make HECM loans, both directly and through VHDA, on a statewide basis. As of December 12, 1991, Tidewater First had originated approximately 40 HECM loans; 27 of them directly and 13 through VHDA. In Northern Virginia, loan activity has been severely limited by the lack of HUD-approved counseling agencies. Lending activity in Northern Virginia is expected to get fully underway in January 1992 following final HUD approval of pending counseling applications.

Chapter 3—Remaining Barriers

Origination Fees

A primary concern of private lenders nationwide who are interested in HECM lending, is whether their origination costs can be fully recouped through origination fees. Under the HECM Program, origination fees are based on the home's value rather than the actual loan amount and, therefore, are comparable to the fees obtained by lenders originating FHA home purchase loans for the Virginia Housing Development Authority (lenders directly funding FHA home purchase loans may charge more than a one percent origination fee). However, many lenders that originate FHA home purchase loans for the Authority depend on loan servicing income for much of their profit, whereas under the HECM Program most lenders will be relying solely on origination fee income. Few lenders want to service HECM loans because servicing is complex and requires specialized procedures and software which make it unprofitable except at high loan volumes.* The Authority has already had one participating lender drop out for reason of insufficient origination fee income. HUD now recognizes this problem and is considering whether the one percent limitation on the amount of the origination fee which can be financed should be increased.

Counseling Availability

Even if HECM lending is made sufficiently profitable for lenders to want to participate, they cannot do so if counseling is not available to borrowers through HUD-approved third-party counseling agencies. While progress is being made in expanding counseling capacity and availability, particularly in Northern Virginia, counseling cannot be made available to all interested HECM borrowers without additional funding to cover the costs incurred by the nonprofit organizations providing this service. Additional organizations cannot be expected to step forward to seek HUD approval to provide HECM counseling if no funds are available to reimburse them.

HUD will not permit borrowers to be charged for consumer counseling services. This leaves grants as the only source of monies to support HECM counseling. At present, HUD funding for housing counseling is far from sufficient to meet the needs of the HECM Program as well as the mushrooming demands for default and pre-purchase counseling for homeowners. Congress, in FY 1992, reduced federal expenditures for housing counseling from \$8 million to \$6 million; a 25% cut. HUD is aware of the problem in the HECM Program where counseling is mandatory, but has not yet proposed a solution. The Virginia Housing Development Authority will continue to seek solutions to the funding problem including the use of volunteers and the pursuit of private contributions.

Other Barriers

Other barriers to lender involvement include: (1) a belief that older consumers will require considerable time and effort to serve, particularly in light of the perceived complexity of the HECM Program; and (2) a fear of adverse publicity in the event of problems with a HECM loan. The Virginia Housing Development Authority is continuing to do what it can to allay these concerns and fears of lenders.

* Wendover Funding, Inc., the primary national servicer of HECM loans, estimates that 10,000 loans are needed to break even on servicing.

APPENDIX A

GENERAL ASSEMBLY OF VIRGINIA--1991 SESSION

HOUSE JOINT RESOLUTION NO. 396

Urging the Virginia Housing Development Authority and the Virginia Department for the Aging to cooperatively promote home equity conversion or reverse mortgage opportunities for older Virginians.

Agreed to by the House of Delegates, January 28, 1991

Agreed to by the Senate, February 12, 1991

WHEREAS, most older Virginians own the homes in which they live, free and clear, without any outstanding mortgages; and

WHEREAS, the equity in these homes represents the single largest asset available to most older Virginians; and

WHEREAS, some older citizens who own their homes live frugally on fixed incomes; and

WHEREAS, many such homeowners may face the possibility of having to sell their homes in order to pay medical bills and other expenses; and

WHEREAS, a "reverse mortgage," or home equity conversion, may provide older citizens who own their homes with an attractive solution to this problem; and

WHEREAS, reverse mortgages provide access to cash on a flexible basis to these older homeowners with repayment deferred for the rest of their lives or until their homes are sold; and

WHEREAS, the lender is subject to the risk of receiving little or no return on the reverse mortgage if the borrower lives longer than expected; and

WHEREAS, many lenders have been reluctant to offer reverse mortgages because of this risk; and

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) has a Home Equity Conversion Mortgage Insurance Demonstration Program to insure public and private lenders against this risk; and

WHEREAS, the Virginia Housing Development Authority, in cooperation with the Virginia Department for the Aging, had previously administered a home equity conversion loan demonstration program; and

WHEREAS, the Virginia Housing Development Authority attempted to continue that program through participation in the HUD Demonstration Program but was not selected through a regional lottery among interested lenders; and

WHEREAS, the HUD Demonstration Program is now being opened to participation by all HUD-approved mortgage lenders; and

WHEREAS, the Virginia Housing Development Authority is now working with HUD to participate in the HUD Demonstration Program in those areas of Virginia where private lenders are not interested in doing so; and

WHEREAS, the Virginia Housing Development Authority has initiated dialogue with private lenders to encourage their joint participation in administering the HUD Demonstration Program; and

WHEREAS, the success of the Virginia Housing Development Authority/HUD initiative is measured by the involvement of private lending institutions in reverse mortgages; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Virginia Housing Development Authority and the Virginia Department for the Aging are strongly encouraged to cooperatively promote and help create opportunities for home equity conversions or reverse mortgages for older Virginians in every reasonable way, on a continuing basis, including encouraging and helping Virginia's private lending institutions to offer home equity conversion mortgages; and, be it

RESOLVED FURTHER, That the Virginia Housing Development Authority and the Virginia Department for the Aging be encouraged to implement the U.S. Department of Housing and Urban Development (HUD) Home Equity Conversion Mortgage Insurance Demonstration Program; and, be it

RESOLVED FURTHER, That the Virginia Housing Development Authority, with cooperation from the Virginia Department for the Aging, report the status of the HUD initiative and its impact on private lending institutions in Virginia to the Governor and the 1992 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents; and, be it

RESOLVED FINALLY, That the Virginia Housing Development Authority and the Virginia Department for the Aging be encouraged to make available to the public, on request, a record of their efforts and progress in promoting equity conversion mortgages or reverse mortgages.

APPENDIX B

OVERVIEW OF HUD HOME EQUITY CONVERSION MORTGAGE (HECM) INSURANCE PROGRAM

The HUD Home Equity Conversion Mortgage (HECM) Insurance Program enables older homeowners with limited incomes to borrow a portion of the equity in their homes with repayment deferred so long as they continue to own and live in the home. The HECM Program is now open to all HUD-approved mortgagees. The Virginia Housing Development Authority is seeking to work with Authority-approved originating agents to make this program available to qualifying older homeowners throughout Virginia.

Difference Between HECM Loans and Traditional Forward Mortgages

A HECM loan, like a traditional long-term forward mortgage, is secured by a first lien on the borrower's home. However, with a HECM loan, disbursements are paid to the borrower in monthly installments or through a line of credit, rather than in a lump sum at closing, and repayment of both principal and interest is deferred for as long as the borrower continues to live in the home.

HUD Loan Guarantees

HUD provides two types of insurance for HECM loans:

- HUD insures the lender against the risk that the loan balance will grow to exceed the value of the home. The lender may assign the loan to HUD once the loan balance, including accrued interest and mortgage insurance premium equals the maximum loan insurance claim amount.
- HUD also insures the borrower that all disbursements will be made. In the event the lender defaults in making loan disbursements to a borrower, then HUD will make the disbursements on the lender's behalf based on the original terms of the loan. Payments made by HUD to a borrower are secured by a HUD-held second lien on the home.

Loan Eligibility

Property Eligibility:

- Must be a single-family dwelling.
- Must meet HUD minimum property standards.
The home may be repaired to meet HUD standards as part of the loan process.

APPENDIX B

Borrower Eligibility:

- Must be age 62 or older.
- Must occupy the home as their principal residence.
- Must own home with little or no mortgage.
Any existing mortgage must be paid off at closing or subordinated to the new HUD insured first mortgage and HUD-held second mortgage.
- Must have family income less than 80% of area median (Virginia Housing Development Authority requirement).

Counseling:

All borrowers must receive counseling from third-party, HUD-certified counseling agencies.

Loan Terms and Conditions

Disbursement Options:

Approved borrowers can choose from four basic loan disbursement options:

- **TENURE:** Borrower receives monthly disbursements for as long as the home is occupied as the principal residence.
- **TERM:** Borrower receives monthly disbursements for a period of months selected by the borrower.
- **LINE OF CREDIT:** Borrower can draw up to a maximum principal limit at times and in amounts of the borrower's choosing.
- **MODIFIED TERM OR TENURE:** Borrower may combine a line of credit with tenure or term monthly disbursements.
Borrowers may also change from one disbursement option to another during the loan term (maximum charge for each change: \$20).

APPENDIX B

Loan Amount:

- The initial principal limit for the loan is based on factors provided by HUD which take into account the borrowers' age, the maximum loan insurance claim amount, the expected average interest rate, and loan set-asides for closing costs, fees, and property charges.
- After loan closing, the principal limit increases each month by one-twelfth of the expected average mortgage interest rate plus the monthly MIP.
- A typical borrower (age 75, home value \$70,000 *) could expect disbursements in the following approximate amounts assuming an average interest rate of 9.26% (rate being used to calculate payments on 11/1/91):

TENURE: \$228/month

TERM: \$335/month (assuming 10-year term)

LINE OF CREDIT: \$25,800 at closing (larger amount if requests for disbursements are staggered over time)

Repayment:

- The loan does not have to be repaid until the last surviving borrower dies, sells, or moves from the home.
- Borrowers may partially or totally repay their loan balance at any time without penalty.

Borrower Obligations:

- Must continue to maintain the property.
- Must keep taxes and insurance payments current.
The lender is authorized to make these payments from the loan proceeds, unless the borrower chooses to make these payments directly.
- Must continue to occupy property as principal residence.
The borrower must provide an annual certification to the lender to confirm occupancy.
- The mortgage is a "non-recourse" loan; the lender can only look to the value of the property to satisfy the debt.

* Based on experience in the Virginia Senior Home Equity Account program.

APPENDIX B

Loan Costs

Fees and Charges:

The borrower will incur the following costs, all of which can be financed in the HECM loan (except as noted):

- **ORIGINATION FEE:** Up to 1% of the lesser of the appraised value of the home or the maximum loan insurance claim amount (HUD 203(b)(2) limit) can be financed using HECM proceeds.

The Virginia Housing Development Authority charges a 1% origination fee which is shared with participating Authority-approved originating agents. The share of the fee paid to originating agents is determined based on the amount of loan origination and processing work undertaken by the originating agent.

- **PROPERTY APPRAISAL:** May require advance payment; reimbursable if loan approved.
- **STANDARD CLOSING COSTS:** Title search and insurance, recording fees, mortgage recordation fees, etc.
- **HAZARD OR FLOOD INSURANCE PREMIUMS:** Replacement value coverage required by HUD; may require advance premium to be paid up at closing if coverage is increased.
- **MORTGAGE INSURANCE PREMIUM:** Upfront payment at closing of 2% of the lesser of the home value or the area's maximum loan insurance claim amount (HUD 203(b)(2) limit), plus 0.5% of outstanding loan balance per year to be paid monthly.
- **SERVICING FEE:** Flat monthly charge of up to \$25.
- **APPLICATION FEE:** \$75.

The Virginia Housing Development Authority intends to sell servicing rights to all HECM loans.

Interest Rate:

The Virginia Housing Development Authority intends to sell all HECM loans to Fannie Mae. Therefore, the interest rate is set in accordance with Fannie Mae guidelines. The Authority is offering adjustable rate HECM loans with annual interest rate adjustments of up to 2% and a lifetime interest rate adjustment cap of 5%. The current Fannie Mae rate is 160 basis points over the one-year Treasury rate.

APPENDIX C

**HOME EQUITY CONVERSION LENDERS
SERVING VIRGINIA**

**I. HUD-INSURED HOME EQUITY CONVERSION
MORTGAGE (HECM) LOANS**

VHDA HECM Originating Agents

<u>Lender</u>	<u>Area Served</u>
Ameribanc Savings 7630 Little River Turnpike Annandale, VA 22003 Phone: (703) 658-5500 Contact Persons: Bonnie Gaitley Susan Ciccocelli	Northern Virginia
Crestar Mortgage Corporation 564 Lynnhaven Parkway, 2nd Floor Virginia Beach, VA 23452 Phone: (804) 431-4876 Contact Person: Russell Heath	Tidewater
Mortgage Capital Investors Equity Division 6571 Edsall Road Springfield, VA 22151 Phone: (703) 941-0711 Contact Person: Peter Ford	Northern Virginia
Tidewater First Financial Group Phone: 1-800-282-4326 (Toll-free) Contact Persons: Al Ludwig William (Toby) Harris Main Office: 4500 Holland Office Park, Suite 312 Virginia Beach, VA 23452	Loan representatives are available Statewide

Note: Borrower income limits apply to all loans funded by VHDA.

APPENDIX C

Direct HECM Lenders

<u>Lender</u>	<u>Area Served</u>
Tidewater First Financial Group Phone: 1-800-282-4326 (Toll-free) Contact Persons: Al Ludwig William (Toby) Harris Main Office: 4500 Holland Office Park, Suite 312 Virginia Beach, VA 23452	Loan representatives are available Statewide
International Mortgage 3701 Old Court Road Baltimore, MD 21208 Phone: (410) 484-6016 Contact Persons: George Conover Irene Woods	Will make loans to Virginia residents willing to travel to to Baltimore to make a loan application.

Note: There are no restrictions on borrower income for loans funded directly by private lenders.

II. CONVENTIONAL HOME EQUITY CONVERSION LOAN PRODUCTS

Reverse Mortgage Loans

<u>Product/Lender</u>	<u>Area Served</u>
Home Income Security Plan Capital Holding Corporation Phone: 1-800-456-8754 (Toll-free)	Statewide

Sale/Lease-Back Mortgage Loans

<u>Product/Lender</u>	<u>Area Served</u>
Sale/Lease-Back Program Crestar Mortgage Corporation Phone: (804) 254-1741 (Main Office) Check local directory listings for local office numbers:	Statewide

APPENDIX D

**HUD-APPROVED COUNSELING AGENCIES
PARTICIPATING IN THE HECM PROGRAM**

ALEXANDRIA

Counseling Agency

Senior Citizens Employment & Service of Alexandria, Inc.
121 North St. Asaph Street
Alexandria, VA 22314
(703) 836-4414

Primary Area Served

Alexandria

CHARLOTTESVILLE AREA

Counseling Agency

Monticello Area Community Action Agency
215 East High Street, Suite 7
Charlottesville, VA 22901
(804) 295-3171

Primary Area Served

Charlottesville, Albemarle
County, Nelson County,
Fluvanna County

FAIRFAX COUNTY

Initial Contact for Fairfax County Residents:

The Fairfax Area Agency on Aging has agreed to pre-screen interested borrowers prior to their receiving HECM counseling. This will help manage the large numbers of interested persons in Fairfax County. The Fairfax Area Agency on Aging will review borrower eligibility, answer basic questions about the program, and discuss other resources available to the borrower to meet their financial needs. If the borrower is eligible and interested in the program, then the Fairfax Area Agency on Aging will make an appointment with the Fairfax County Financial Education Center whose staff will provide the required counseling. All borrowers should first contact:

Fairfax Area Agency on Aging
12011 Government Center Parkway, Suite 720
Fairfax, VA 22035
(703) 246-5411

Counseling Agency

Fairfax County Financial Education Center
5501 Backlick Road, Suite 110
Springfield, VA 22015
(703) 642-0815

Primary Area Served

Fairfax County

**APPENDIX D
PENINSULA AREA**

Counseling Agency

City of Hampton
Housing and Rehabilitation
City Hall, 22 Lincoln Street
Hampton, VA 23669
(804) 727-6460

Primary Area Served

Hampton

Hampton Redevelopment and Housing Authority
City Hall
P. O. Box 280
Hampton, VA 23669
(804) 825-4769

Hampton

Newport News Office of Human Affairs
2410 Wickman Avenue
P. O. Box 37
Newport News, VA 23607
(804) 245-5642
(804) 245-3271

Newport News

RICHMOND AREA

Counseling Agency

Housing Opportunities Made Equal, Inc. (HOME)
1218 West Cary Street
Richmond, VA 23220
(804) 354-0641

Primary Area Served

Richmond, Chesterfield
County, Henrico County

Richmond Urban League
101 East Clay Street
Richmond, VA 23219
(804) 649-8407

Richmond, Chesterfield
County, Henrico County

ROANOKE AREA

Counseling Agency

Total Action Against Poverty in the Roanoke Valley (TAP)
145 West Campbell Avenue
Crystal Towers Office Building, Suite 400
P. O. Box 2868 (24001-2868)
Roanoke, VA 24011
(703) 345-6781

Primary Area Served

Roanoke, Salem, Roanoke
County, Botetourt County,
Rockbridge County,
Alleghany County

APPENDIX D
SOUTH HAMPTON ROADS AREA

Initial Contact for South Hampton Roads Residents:

The Southeastern Virginia Areawide Model Program, Inc. (SEVAMP) has agreed to pre-screen interested borrowers prior to their receiving HECM counseling. This will help manage the large numbers of interested persons in South Hampton Roads. SEVAMP is the Area Agency on Aging serving South Hampton Roads. SEVAMP will review borrower eligibility, answer basic questions about the program, and discuss other resources available to the borrower to meet their financial needs. If the borrower is eligible and interested in the program, then SEVAMP will make an appointment with STOP whose staff will provide the required counseling. All borrowers should first contact:

Charles Graves, Intake Specialist
SEVAMP
7 Koger Executive Center, Suite 100
Norfolk, VA 23502-4121
(804) 461-9481

Counseling Agency

Southeastern Tidewater Opportunities Project (STOP)
415 St. Paul Boulevard
P. O. Box 1078
Norfolk, VA 23510
(804) 624-1043

Primary Area Served

Norfolk, Portsmouth,
Chesapeake, Suffolk,
Virginia Beach, Franklin,
Isle of Wight County,
Southampton County