

# FHA reminds servicers of HAF funding for reverse, forward borrowers

The HAF program, designed to cure defaults for borrowers impacted by COVID-19, is still regularly assisting borrowers, according to industry professional

March 27, 2023, 4:15 pm By Chris Clow

The **Federal Housing Administration** (FHA) is taking steps to remind mortgage servicers that the Homeowners Assistance Fund (HAF) — a \$10 billion fund set up through the American Rescue Plan Act in 2021 — is still available for borrowers at risk of default on their mortgages due to the financial impact of the COVID-19 pandemic.

HAF funding is broadly available for homeowners suffering from financial hardship stemming from the pandemic, and eligible homeowners can receive assistance to cover qualified expenses that may include housing-related costs. For Home Equity Conversion Mortgage (HECM) borrowers, that can include expenses such as property taxes and homeowner's insurance premiums.

Although servicers described challenges with informing borrowers of the funding's availability in its earliest days, one reverse mortgage servicing professional said uptake of the assistance has been steady — and that there's a fair amount of funding still available.

## FHA notice and HAF revision

In an FHA informational notice published on Friday, the agency reminds servicers that HAF funding is available for forward or reverse mortgage borrowers having trouble making their mortgage payments due to pandemic-induced financial challenges.

"The American Rescue Plan Act of 2021 established HAF to provide financial assistance to eligible homeowners who have suffered financial hardships during the COVID-19 National Emergency," the notice said. "Through HAF, eligible homeowners can receive assistance to cover qualified expenses that may include housing-related costs."

Servicers who operate with FHA-insured mortgages are required to inform distressed homeowners about funds available through their jurisdiction's HAF program. When it

was initially set up, state-level housing agencies set up their own disbursement mechanisms, which took more time than expected.

Some of the circumstances that qualify for HAF funding on the forward side include bringing a homeowner's mortgage current; using HAF in combination with other FHA loss mitigation options for single-family forward mortgages; reducing the balance or paying off the homeowner's outstanding loss mitigation partial claim even if their mortgage payments are now current.

On the reverse mortgage side, HAF beneficiaries can use the funds in combination with the COVID-19 HECM property charge repayment plan or pay for delinquent property tax and homeowners insurance charges on defaulted HECMs under their jurisdiction's HAF program guidelines, if permitted.

The FHA has also expanded the definition of "imminent default" to include homeowners who qualified for HAF, FHA said.

"With this change, servicers will be able to offer additional loss mitigation options to borrowers who qualified for or used HAF funds and may no longer technically be delinquent but require further assistance to avoid redefault," the notice said.

### **HAF progress on the reverse side**

While getting the word out to reverse mortgage borrowers proved challenging throughout 2021 and 2022, **Celink** SVP of Client Satisfaction Gail Balettie said that in 2023, the company has assisted with the distribution of \$4 million to eligible reverse mortgage borrowers, and that more geographic regions are aiming to become involved in relief for its reverse mortgage borrowers.

"Hawaii just contacted us and wants to participate in [HAF funding] within the reverse space," Balettie said. "So, we are getting signed up with them as well as [the District of Columbia]."

Recent estimates from the National Consumer Law Center (NCLC) peg the remaining available HAF funding at over \$5 billion, more than half of the \$10 billion originally earmarked for it.

Servicers communicate with the state HAF programs daily, and some of the state programs have even increased their available dollar amounts on a per-household basis, Balettie said.

“Literally they’re looking for eligible borrowers,” Balettie said. “So, to the extent borrowers are in [tax and insurance] default, they should apply and see what their state can do for them.”

Among the \$4 million distributed to distressed borrowers by Celinek, nearly 250 defaults have been cured, Balettie said.

While FHA made this informational notice available specifically to mortgagees, the agency is not directly involved in the disbursement of HAF funds. Still, FHA clearly sees a benefit to senior borrowers as well as to the Mutual Mortgage Insurance (MMI) Fund, Balettie said.

“We in the reverse industry have always tried to avail seniors of the same benefits that our forward borrowers get,” she said. “So, this is just another case where if this money is available to help homeowners, whether they’re 75 or 35, it should be available across the board. We’re doing our best to help them get there.”