

United States Senate

WASHINGTON, DC 20510

May 31, 2017

The Honorable Ben Carson
Secretary
U.S. Department of Housing & Urban Development
451 7th Street S.W.
Washington, D.C. 20410

The Honorable Mick Mulvaney
Director
Office of Management & Budget
725 17th Street N.W.
Washington, D.C. 20503

Dear Secretary Carson and Director Mulvaney:

We write to request additional information about a provision in the Appendix of the President's fiscal year (FY) 2018 budget regarding existing policy to keep seniors in their homes after the death of their spouse.

The Federal Housing Administration (FHA) provides insurance under the Home Equity Conversion Mortgage (HECM) program, known to most Americans as "reverse mortgages." While reverse mortgages can provide an important source of financial security for seniors by allowing them to tap the value of their home and age-in-place, they have also raised a number of concerns. One such concern arising in recent years relates to what happens when a homeowner dies, and is survived by a spouse that was not an original borrower on the reverse mortgage. Under previous HECM rules, upon the death (or move-out) of the original borrower, the reverse mortgage loan became immediately due, meaning that surviving spouse had to either pay the loan in full, or face eviction.

This loophole compounded the stress faced by widows and widowers at a time when they were already grieving the loss of their spouse. One news article from 2015, for example, documented the story of a Nevada widow surviving on a fixed income, who was faced with possible foreclosure after the death of her husband.¹ Florida, home to the largest percentage of seniors in the country and countless retirement communities, has experienced similar cases. In light of harrowing stories like this, the Department of Housing and Urban Development (HUD) has, in the last few years, taken action to reform the HECM program, protect consumers, and shield taxpayers from the risk posed to the FHA's insurance fund.²

It appears that the President's FY 2018 budget seeks to make a change to the reverse mortgage program. Namely, Section 223 in the "General Provisions" portion of the HUD budget seeks to amend language

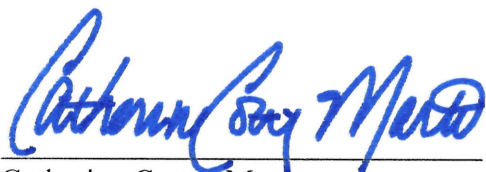
¹ Wiseman, Paul. "More Seniors Are Being Buried by Housing Debt." *USAToday*, June 2, 2015. Available at: <https://www.usatoday.com/story/money/2015/06/02/older-americans-housing-debt-retirement/28358093/>

² For example, in April 2014, HUD published Mortgagee Letter 2014-07, which set up a new system to protect Non-Borrowing Spouses by requiring HECM contracts to contain a provision deferring the loan's due and payable status until the death of the last surviving Non-Borrowing Spouse at the time the mortgage closed. However, these new protections were limited to HECMs originated on or after August 4, 2014. Later, in January 2015, HUD published Mortgagee Letter 2015-03, which provides lenders with the ability to assign to HUD those HECMs that are in default due to the death of a borrower, but with properties still occupied by Non-Borrowing Spouses, provided that certain conditions are met.

in the National Housing Act pertaining to safeguards which protect widows and widowers from displacement.³

Given the gravity of potential changes to this law, we therefore request a written response outlining the rationale underlying this proposed change. We also urge that you continue to ensure that widows and widowers do not face eviction in these circumstances.

Sincerely,

A handwritten signature in blue ink, reading "Catherine Cortez Masto".

Catherine Cortez Masto
United States Senator

A handwritten signature in blue ink, reading "Marco Rubio".

Marco Rubio
United States Senator

³ U.S. Office of Management and Budget. "Budget of the United States Government, Fiscal Year 2018: Appendix." May 23, 2017, page 594. Available at: <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/appendix.pdf>; namely Section 223 proposes to amend 12 U.S. 1715z-20 at subsection (j).