

New Option for Older Homeowners with Reverse Mortgages Impacted by the COVID-19 Pandemic

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Odette Williamson, National Consumer Law Center

Older homeowners are still reeling from the health and economic consequences of the pandemic. Despite temporary COVID-related federal assistance, older adults on fixed-incomes are financially stressed as inflationary pressures increase the cost of necessities, including food and medicine. Many lost partners or family members during the pandemic, reducing household income and other resources.

Financially stressed older homeowners with reverse mortgages may face foreclosure if they are unable to pay their property charges and meet the other requirements of the loan. Reverse mortgages allow borrowers 62 years or older to convert home equity into cash without the immediate need to repay the loan. Most reverse mortgages are Home Equity Conversion Mortgage (HECM) insured by the Federal Housing Administration. Borrowers are required to pay property charges, including property taxes, homeowner's insurance, and homeowners association fees. The lender will advance money to pay the property charges if the borrower falls behind. Borrowers can then enter payment plans to repay the advances, or face foreclosure.

The U.S. Department of Housing and Urban Development (HUD), which oversees the HECM program, recently announced a new repayment option that provides an additional layer of protection for borrowers behind on property charges. The new option, called the COVID-19 Home Equity Conversion Mortgage Property Charge Repayment Plan (COVID-19 HECM Repayment Plan) was announced in [Mortgage Letter 2022-23](#) and took effect December 15, 2022. Borrowers currently on a standard repayment plan may be considered for this new option. A borrower is eligible for a COVID-19 HECM Repayment Plan even if they have been unsuccessful on a prior repayment plan, or the total outstanding arrearage is greater than \$5,000, or both.

Under the COVID-19 HECM Repayment Plan borrowers may enter a 5-year repayment plan. Importantly, this term is not reduced by any time that a borrower utilized a standard HECM repayment plan. In addition to giving borrowers more time to repay delinquent property charges, borrowers who have applied for financial assistance under the Homeowner Assistance Fund (HAF) may obtain a repayment plan that covers less than the full amount of arrears based on the intention of using HAF funds to satisfy the remaining amount of delinquent property charges. Nearly all state HAF programs allow HECM borrowers to apply for HAF assistance to repay property charges.

No documentation of hardship is necessary to access the new plan; a verbal statement to the loan servicing company that the borrower is impacted by the pandemic is sufficient. COVID-19 HECM Repayment Plans are available for one year following the expiration of the declared COVID-19 National Emergency. However, the property charge default does not need to have occurred during the National Emergency.

Additional NCLER Resources:

- [Preserving Homeownership Series, Part 1: Property Tax Lien Foreclosures](#)
- [Preserving Homeownership Series Part 2: Tangled Title & Associated Probate Issues](#)
- [Preserving Homeownership Series Part 3: Medicaid Estate Recovery](#)
- [Programs to Keep Older Adults Connected to Energy and Utility Services: Tip Sheet](#)
- [Building Capacity and Partnerships to Address Housing Issues for Older Adults](#)
- [Home Equity Theft and Other Emerging Scams Impacting Older Adults](#)

Case consultation assistance is available for attorneys and professionals seeking more information to help older adults. Contact NCLER at ConsultNCLER@acl.hhs.gov.

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