

Financial Freedom, as servicer for your Home Equity Conversion Mortgage (“HECM” or “loan”), is required by the U.S. Department of Housing and Urban Development (“HUD”) to perform certain actions depending upon the status of a borrower’s account. Below are some frequently asked questions and answers that are designed to help you understand your obligations, your options, and what you can expect from Financial Freedom and HUD if you do not pay the property charges required by the terms of your loan, including, but not limited to, taxes, insurance, and homeowner’s association dues (if applicable), for your property:

**Q. Under what circumstances will my loan be called due and payable?**

A. In Mortgagee Letter 2015-10, HUD states that a HECM is considered due and payable if a mortgagor passes away and the property is no longer the principal residence of at least one surviving mortgagor, or if the mortgagor no longer retains title to the property. Additionally, with HUD’s approval, a loan will be called due and payable if no surviving mortgagor maintains the property as their principal residence; a mortgagor does not occupy the property for more than 12 consecutive months because of physical or mental illness, and the property is not the principal residence of at least one other mortgagor; or if the mortgagor defaults on their obligations under the HECM, including the obligation to pay taxes, insurance, or homeowner’s association dues. (Link to HUD Mortgagee Letter 2015-10: <http://portal.hud.gov/hudportal/documents/huddoc?id=15-10ml.pdf>). If Financial Freedom advances funds to pay unpaid property charges on your behalf, the HECM is in default, and therefore may be eligible to be called due and payable as described below.

**Q. What happens if one of the above occurs and my loan is called due and payable?**

A. Financial Freedom is required to mail you a Property Charge Delinquency Notice and to request HUD’s approval to call your loan due and payable within 30 days of advancing funds to pay property charges on your behalf. Upon receipt of HUD approval to call the loan due and payable, Financial Freedom will send you a Due and Payable Notice advising you of your options and requiring a response from you within 30 days from the date of the notice. Within the notice you will be asked to complete one of the following actions:

- i. Satisfy the loan by paying the full amount due;
- ii. Sell the property for at least 95% of the appraised value (some conditions apply);
- iii. Complete a deed-in-lieu of foreclosure; or
- iv. If applicable, correct the matter that resulted in the loan becoming due and payable (Provide proof that property charges were actually paid or repay the property charges advanced by Financial Freedom)

**Q. Why is Financial Freedom trying to appraise my property?**

A. HUD guidelines require Financial Freedom to perform an appraisal of the property within 30 days of the date the loan is called due and payable. We will contact you to gain access to the property for an appraisal as required under the terms of your Home Equity Conversion Mortgage.

**Q. If my loan is called due and payable, does that mean I am in foreclosure?**

A. No. Financial Freedom is required to initiate foreclosure within six (6) months of notification to you that your loan has been called due and payable, unless this time is otherwise extended by HUD. However, the initiation of foreclosure can occur any time after the 30-day expiration of the Due and Payable Notice. Please note that, if your default is a result of unpaid property charges and Financial Freedom has already initiated foreclosure, you will no longer be eligible for a repayment plan, described below.

Link to HUD Mortgagee Letter 2015-10:

<http://portal.hud.gov/hudportal/documents/huddoc?id=15-10ml.pdf>

**Q. If I have not received any notice of foreclosure action beginning, why is my account being charged fees?**

A. Although first legal action of foreclosure may not occur until six (6) months or more after your loan has been called due and payable, fees and costs associated with the foreclosure process will be charged to your account immediately upon referral to our foreclosure attorney. Once your loan is referred to legal counsel, they begin working on your file, despite having not yet filed first legal action with the court. You are responsible for any fees and costs associated with this process.

**Q. If I decide to sell the property or satisfy my loan, must I do it within 30 days in order to avoid foreclosure?**

A. No. You may sell the property or satisfy the mortgage at any time prior to the foreclosure sale date. To assist you in this process, you may be eligible for up to two (2) 90-day extensions to HUD's deadline to initiate foreclosure if you provide satisfactory evidence documenting your efforts to sell the property or satisfy the mortgage balance before the expiration of the six month period following notification to you that your loan has been called due and payable.

**Q. I owe more than my home is worth. If I choose to sell the property, for how much must I sell it to avoid foreclosure?**

A. If you owe more than the appraised value of your home, and the loan has been called due and payable, the home can be sold for a purchase price equal to 95% of the appraised value. This is known as a short sale and must be approved in advance by Financial Freedom. If the home has not yet been called due and payable, you will need to sell the home for a purchase price equal to 100% of the appraised value.

- Q. I am participating in the Hardest Hit Funds (HHF) program for my state but I need more time. What should I do while waiting for my state to complete the HHF review process?**
- A. Financial Freedom can approve a 45-day delay for referral to foreclosure if you are actively participating in the Hardest Hit Funds program for your state. You must provide a copy of the conditional commitment as evidence. HHF program funds are administered by the state. For additional information about participating state programs and eligibility, please visit the applicable state program website.
- Q. I want to keep my property but I cannot pay the outstanding property charges in full. How do I know if I qualify for a repayment plan?**
- A. Based upon your financial situation and other factors determined by HUD, you may be eligible for a repayment plan if you owe outstanding property charges for property insurance and/or taxes. You can contact Financial Freedom to provide information in order to complete this evaluation. HUD does not allow you to participate in a repayment plan if you did not pay your homeowner's association (HOA) dues. HOA dues advanced on your behalf must be repaid immediately. ***IMPORTANT: IF FINANCIAL FREEDOM HAS INITIATED FORECLOSURE, HUD GUIDELINES DO NOT ALLOW FINANCIAL FREEDOM TO OFFER YOU A REPAYMENT PLAN AND ANY FUNDS ADVANCED ON YOUR BEHALF FOR PROPERTY CHARGES, AS WELL AS OTHER CHARGES INCURRED BY FINANCIAL FREEDOM DURING THE FORECLOSURE, MUST BE REPAYED IN FULL PRIOR TO THE FORECLOSURE SALE DATE IN ORDER TO STOP THE FORECLOSURE. IN FLORIDA, FUNDS MUST BE RECEIVED AT LEAST 15 DAYS PRIOR TO THE FORECLOSURE SALE DATE IN ORDER TO STOP THE SALE.***
- Q. I do not owe any homeowner's association dues and I have not been referred to foreclosure. If I am eligible for a repayment plan, how will Financial Freedom calculate my repayment plan to determine eligibility?**
- A. Financial Freedom will begin by adding up all of the unpaid property charges that were advanced by FF on your behalf, and any expected property charges due within the next 90 days. The plan will be calculated by dividing these property charges into equal payments over a maximum of 60 months (5 years). Your target monthly payments will be based upon 25% of your monthly surplus income (explained below) and will provide for the shortest possible timeframe to complete repayment of the debt. Your repayment plan may therefore be for a period of time that is less than 60 months.

**Q. I qualified for a repayment plan but it gives me less than 60 months. Why am I not being given five years to repay this debt with smaller monthly payments?**

A. HUD regulations require a repayment plan to repay property charges as quickly as possible, using up to 25% of your surplus monthly income. You may receive a shorter repayment plan term if the debt can be repaid sooner based upon your qualifying income. Additionally, the repayment plan term may be reduced to less than 60 months if necessary to avoid reaching 98% of your loan's Maximum Claim Amount (MCA). The MCA was determined when your loan was originated (refer to your HECM Loan Agreement) and does not change. It is the lesser of the original appraised value or the FHA lending limit at the time your loan was originated.

**Q. Why are my repayment plan monthly payments greater than 25% of my monthly surplus income?**

A. Payments may be increased to an amount greater than 25% of your monthly surplus income only if necessary to repay the debt within 60 months or if necessary to repay the debt before reaching the 98% of the MCA (defined above).

**Q. How did Financial Freedom calculate my monthly surplus income?**

A. Your monthly surplus income is determined by subtracting all living expenses, including healthcare, revolving and installment debts, payment obligations, utility bills and other household expenses, and any monthly amount needed for property charges due over the next twelve (12) months from your available income sources. Please note that you are responsible for providing information regarding your available income and qualifying expenses if a repayment plan is requested.

**Q. I submitted all the requested financial information. How long will it be before I receive my new repayment plan?**

A. Once your financial information is received by Financial Freedom, a letter will be sent to you in approximately one week. The turnaround time may vary based upon the number of requests we receive and thus could be slightly longer. We appreciate your patience while we work through this process with you.

**Q. If my loan has not yet been reviewed for a repayment plan, can I continue to submit payments to try and reduce the amount owed?**

A. Any payments received prior to the loan being called due and payable will be posted to your account. Please understand this does not constitute a repayment agreement or a guarantee that you will qualify for a repayment plan. It can help to bring down the total amount you must repay, and thus your current loan balance, which are both factors considered when reviewing your eligibility for a repayment plan. Once the loan is called due and payable, only full monthly payments, as required under the terms of an approved repayment plan, will be accepted.

**Q. What happens if I experience a change in my income or expenses while participating in a repayment plan?**

A. If you experience a change in your available income or expenses during a repayment plan, you may be eligible for an adjustment to the plan if the change was due to a verifiable hardship such as an illness, death of a household member who was identified as a contributor of income in a previous repayment plan calculation, emergency home repair, or loss of employment income. A new review of your eligibility will be required. Be sure to contact your assigned Single Point of Contact (whose contact name and phone number was included in the Proper Charge Delinquency Notice previously sent to you) before you default on a repayment plan as a failure to make the full required monthly payment will impact your eligibility for further consideration.

**Q. What happens if Financial Freedom is required to pay additional property charges on my behalf while I am participating in a repayment plan?**

A. If Financial Freedom is required to pay additional property charges on your behalf during an active repayment plan, the plan will be cancelled and a new review will be required to determine your eligibility based on the updated total amount due. You will receive a new Property Charge Delinquency Notice and must begin the review process again.

**Q. What happens if I cannot make my repayment plan payment when it is due?**

A. The repayment plan is unsuccessful and cancelled if you do not make a full payment within 60 days of the due date. If you fail to make a required payment within 60 days of the due date, you may be eligible for another repayment plan only if the remaining balance owed is less than \$5,000 and the mortgage has not reached (or will reach) 98% of the MCA (as defined above) before curing the default.

**Q. What happens if I do not qualify for a repayment plan or have been unable to send the required payments but have experienced a hardship for which I need additional assistance?**

A. HUD does not allow for an extension of time based solely on a hardship except when due to a verified change in your financial circumstances while participating in a repayment plan as described above. However, borrowers over the age of 80 with certain critical circumstances such as a supported illness, substantiated long-term physical disability, or a “unique” occupancy need (e.g., terminal illness of a family member receiving care at the residence) may be eligible for an extension deferring the start of foreclosure. The circumstance must be verifiable and approved by HUD. **HUD, not Financial Freedom, has the sole and exclusive discretion to determine whether you qualify for this hardship extension, and they reserve the right to require Financial Freedom to proceed to foreclosure.** The required forms for a deferment of foreclosure referral were provided to you with the Property Charge Notice.

- Q. What should I do if I still have questions about eligibility or I disagree with the rules imposed on servicers, including Financial Freedom, by HUD?**
- A. For questions related to the HUD guidelines, you may contact the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at 1-800-877-8339. To speak with a HUD-approved foreclosure counselor, visit: <http://www.hud.gov/offices/hsg/sfh/hcc/fc/> or call the toll-free referral service at 1-800-569-4287.
- Q. I understand the HUD guidelines as explained above. Who can I contact at Financial Freedom to discuss my options?**
- A. We are available to help you through this process. If you have any questions or concerns, please contact us at 1-866-727-4303, Monday – Thursday from 7:00 am – 7:00 pm Central and Friday from 7:00 am – 5:00 pm Central.

**IMPORTANT NOTICE: Please note that the information contained in this notice is strictly for informational purposes, does not address all possible scenarios or criteria, and may change, based upon HUD guidance, without prior notice.**

*This is a communication from a debt collector attempting to collect a debt. Any information obtained will be used for that purpose. However, if a bankruptcy petition has been filed and there is either an "automatic stay" in effect in the bankruptcy case, or the debt has been discharged pursuant to the bankruptcy laws of the United States, this communication is intended solely for informational purposes. If your debt has been discharged, this letter is for the sole purpose of protecting a lien interest in the underlying mortgaged property and is not an attempt to recover any amounts from you personally. The foregoing notice has no effect on any bankruptcy plan, and you should continue to make any payments thereunder. If you have any questions about this notice, you should consult with your bankruptcy attorney and/or your bankruptcy trustee.*