

NOTICE TO THE BORROWER

WHAT TO DO IN CASE OF LATE PAYMENT OR NON-PAYMENT  
BY YOUR LENDER

FHA Case No. \_\_\_\_\_ Date of Mortgage \_\_\_/\_\_\_/\_\_\_

Borrower Name(s) \_\_\_\_\_

Property Address \_\_\_\_\_

Mortgagee (Lender) Name \_\_\_\_\_

The U.S. Department of Housing and Urban Development (HUD) can help you if your lender fails to make payments to you on time. However, HUD can only help you if you follow these instructions.

1. INTRODUCTION

Your Home Equity Conversion Mortgage (HECM) was insured on \_\_\_\_\_[date] under a special law, Section 255 of the National Housing Act, which makes HUD responsible for making any payments you have not received because the lender has defaulted. This document explains the steps HUD will take if the lender fails to make its payments to you. The term "mortgage" in this Notice includes the loan agreement between you, the lender, and HUD.

2. HUD OFFICE

Your local HUD Field Office is located at \_\_\_\_\_ . Any letter addressed to that office should include your FHA case number, which appears at the top of this notice. You should put "Home Equity Conversion Mortgage" on the envelope to ensure prompt and correct handling. Telephone calls should be made to the \_\_\_\_\_ Branch at \_\_\_\_\_[telephone number]. You should inform the person answering the call that you are calling about your insured HECM. Please be prepared to provide your FHA case number.

3. METHOD OF PAYMENT

You may choose to receive payments through the "direct deposit" method of payment, where the lender automatically transfers money to your bank account, or you may receive checks through the mail. You may change your method of payment at any time during the loan.

4. PAYMENT OPTIONS

You can receive regular monthly payments, payments from a line of credit, or a combination of these payment options. You may change between these payment options at any time. Please follow the instructions in this Notice which apply to the payment option that you have chosen.

5. REGULAR MONTHLY PAYMENTS

If you have chosen to receive regular monthly payments, the lender must transfer the full payment to your bank account by the first day of each month, or place your check in the mail by that day. If you do not receive payment on time (allowing sufficient time for mail delivery of the check, if applicable), your first contact should be with the lender's representative assigned to handle your account. HUD requires your lender to keep you informed of a current telephone number and address for the representative assigned to your account. If you can not contact your lender or if the account representative can not help you, you should contact HUD.

HUD can help you with late payments in two circumstances. First, if the lender often makes payments which you receive late but before the 10th day of the month, and this problem continues after you tell the lender about it, HUD will contact the lender at your request and require the lender to improve its performance and pay any late charges as required by your Loan Agreement. HUD will generally not be able to help with rare cases of late payment if the lender pays the late charge required by your Loan Agreement. Second, if any payment is not received before the 10th day of the month, you should immediately contact HUD (and the lender, if you have not done so). HUD will investigate the circumstances.

#### 6.LINE OF CREDIT

If you have chosen to receive payments at your request from a line of credit, the lender must transfer the full amount requested, up to your principal limit, to your bank account or place your check in the mail within five business days after the lender receives your request. If you do not receive payment on time (allowing sufficient time for any mail delivery of your request to the lender, and any mail delivery of the check), your first contact should be with the lender representative assigned to handle your account. HUD requires your lender to keep you informed of a current telephone number and address for the representative assigned to your account. If you cannot contact your lender or if your account representative cannot help you, you should contact HUD.

HUD can help you with late payments in two circumstances. First, if the lender often makes payments which you receive after you expect to receive them but fewer than 10 days after you expect them, and this problem continues after you tell the lender about it, HUD will contact the lender and require the lender to improve its performance and pay late charges required by your Loan Agreement. HUD will generally not be able to help with rare cases of late payment if the lender pays the late charge required by your Loan Agreement. Second, if any payment has not been received 10 days after you expect to receive it, you should immediately contact HUD (and the lender, if you have not already done so). HUD will investigate the circumstances.

#### 7.HUD INVESTIGATION OF LATE LENDER PAYMENT: HUD PAYMENTS

A HUD investigation will begin with an immediate request to the lender for explanation for the late payment(s). If the lender does not provide a satisfactory explanation to HUD within 15 days of the request, or provide all funds due to you (including any late charges), then HUD will begin arrangements to make payments to you. Your HUD Field Office will keep you informed regarding the likely date for resumption of payments. The initial HUD payment will be equal to the total of all payments not made by the lender, including an amount equivalent to any late charge due from the lender. Subsequent HUD payments will be made in accordance with the timing required by the mortgage.

#### 8.PAYMENT OF TAXES AND INSURANCE, OR OTHER PROPERTY CHARGES

If you elected to have the lender pay taxes, hazard insurance premiums, and certain other charges against the property using funds in your loan account, and you learn that the lender has not paid these items on time, you should contact the lender's representative assigned to handle your account. If the lender does not correct the situation, you should contact the HUD office immediately.

#### 9.HUD ASSUMPTION OF PAYMENT RESPONSIBILITY

Even if HUD is required to make some payments under the mortgage, we will

try to have the lender resume making payments in accordance with the timing required by the mortgage. If HUD cannot arrange for the lender to resume payments, HUD will demand assignment of the mortgage from the lender. If the mortgage is assigned to HUD, you will deal with HUD as the new lender.

If the lender can not or will not assign the mortgage to HUD, you will receive no further payments from the lender under the first mortgage. No further interest or mortgage insurance premium will be added to the amount which you owe under the mortgage. HUD will then make all future payments under the terms of a second mortgage which you gave to HUD when you gave the first mortgage to the original lender. The first and second mortgages will have to be repaid at the same time (for example, when you sell your home). Since you will not owe any interest under the first mortgage, the total debt under the first and second mortgages will be less than the amount you would have owed under the mortgage if the lender had continued making payments.

HUD may allow the lender to resume making payments after HUD has made payments. If that happens, you will not owe anything to HUD but you will deal with the lender as if the lender had made all the payments under the first mortgage.

Signature of HUD Representative: \_\_\_\_\_

Title: \_\_\_\_\_