

Equitable Reverse Mortgage Assistance Program (ERMA)

In December 2019, the Center for NYC Neighborhoods, Sustainable Neighborhoods LLC (a wholly-owned subsidiary of the Center for NYC Neighborhoods), and Enterprise Community Partners are introducing a reverse mortgage foreclosure prevention program — Equitable Reverse Mortgage Assistance (ERMA) — with support from the New York State Attorney General's Office.

The goal of the program is to limit displacement of senior homeowners by providing deferred low-cost loans to reverse mortgage holders who are at risk of defaulting or are in default on their loans due to municipal property taxes, property insurance obligations, or other charges stemming from a temporary inability to pay.

Background

Home Equity Conversion Mortgages (HECMs aka reverse mortgages) allow qualifying senior homeowners aged 62 years or above to tap into their home equity. Unlike a conventional mortgage, a reverse mortgage does not require monthly mortgage payments on the principal or interest (PI). Rather, the loan is repaid upon sale of the home or death of the owner. While reverse mortgages are a valuable tool for some seniors, they can be problematic for others because though there are no PI payments to make, homeowners are still at risk of foreclosure due to missed property taxes and insurance. Delinquency on those payments results in default on the reverse mortgage. In recent years, reverse mortgage defaults and foreclosures have dramatically increased both in New York and nationwide, subjecting many senior homeowners to potential displacement. Elderly homeowners who have invested their life savings in their communities are now being foreclosed upon, often for small sums.

Program Overview

The ERMA pilot program creates a flexible response to support at-risk NYS senior homeowners who are at risk of foreclosure on their reverse mortgages. The pilot will provide deferred, zero interest loans to eligible seniors. Eligible homeowners will also have optional access to advance payments for up to two years of property-related charges, which Sustainable Neighborhoods LLC (SN), the lender for ERMA, will distribute directly to the servicer on behalf of the homeowner. These funds will be set aside by the servicer and used to pay property-related charges over time on the borrower's behalf until the advance is exhausted. Arrears and advance payments for a given homeowner will not exceed \$25,000.

The pilot will utilize partnerships with participating servicers as well as the services of the New York State Homeowner Protection Program (HOPP), a network of more than 85 trusted partners dedicated to providing homeowners with free, qualified mortgage assistance relief services across New York.

It is expected that most ERMA applicants will have missed property tax payments. SN will be working directly with mortgage servicers to cure the missed payments using ERMA funds borrowed by the homeowner. The only cost to the homeowner will be county recording fees, which will be included in the principal balance of the zero interest, deferred loan. All other administrative and lending costs will be paid from grant funds and not charged to the borrowers. All participating homeowners will receive free support and assistance from the HOPP network as well as the Center for NYC Neighborhoods.

In the pilot stage of the program, ERMA will only be available in select New York State counties. A final list of participating counties will be promulgated in fall 2019. Furthermore, due to capital constraints, the number of loans made during the pilot phase of the program will be limited. Capital allocations will be split among New York City, Long Island, and the rest of the state, reflecting the distribution of reverse mortgage defaults.

Participating counties will be expected to participate in a working group that will develop best practices in the preservation of senior homeownership in NY State, and will commit to exploring strategies to limit displacement of seniors in their jurisdictions. The working group will hold quarterly virtual meetings.

For information on the Center for NYC Neighborhoods, please visit www.cnycn.org

For questions about the program, please contact: erma@sustainableneighborhoodsnyc.org or 646-786-0892.

Homeowner Eligibility Requirements

- Reverse mortgage holder
- Primary residence in a participating county within NYS
- Hardship letter
- Meet liquid asset test
- Must be able to sustain payment going forward
- Income: < 120% AMI
- For detailed eligibility requirements please contact the Center for NYC Neighborhoods

