

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION

REGULATIONS GOVERNING THE REVERSE EQUITY MORTGAGE LOAN PROGRAMS

I. DEFINITIONS

A. As used in these regulations:

1. "Advance" means a monthly cash advance by RIH to an Applicant who is a participant in the Programs.
2. "Application" means an Application for a Reverse Equity Mortgage Loan pursuant to the Programs. The Application shall be in such form and contain such information as RIH, DEA or HUD may from time to time require.
3. "Application Date: means the date a completed Application is received and stamp-dated "received" by RIH.
4. "Appraised Value" means the market value of a Home determined by any individual, firm or corporation selected by RIH that is qualified, to the satisfaction of RIH, to give real estate appraisals.
5. "Area Median Income" means the area elderly median income for the Rhode Island area as established and published from time to time by HUD which is in effect as of the Application Date.
6. "Board of Commissioners" means the Board of Commissioners of RIH.
7. "DEA" means the Department of Elderly Affairs, an agency of the State of Rhode Island.
8. "EHEP Loans" means loans issued pursuant to the Elderly Home Equity Program described in these regulations.
9. "HECM Loans" means loans issued pursuant to the Home Equity Conversion Mortgage Program described in these regulations.
10. "Home" means a residence located in the State of Rhode Island which constitutes a one-to-four family owner-occupied residence for EHEP Loans and any residence satisfying the requirements of the HUD Regulations for HECM Loans.
11. "HUD" means the United States Department of Housing and Urban Development.
12. "HUD Regulations" means the regulations established by HUD in connection with Home Equity Conversion Mortgage Insurance issued by HUD, as the same may be amended from time to time.
13. "Income" means all current salary, wages, bonuses, commissions, income from self-employment, interest, dividends, alimony, rental income, pensions, business income, annuities, dividends on common and preferred stock, social security payments, cash public assistance, support payments, retirement income, both the taxable and non-taxable portion of any capital gains and interest on municipal or other bonds.
14. "Individual Applicant" means an individual that submits an Application pursuant to these regulations.
15. "Joint Applicants" means two (2) or more married or unmarried individuals, owning and residing in the Home, that submit an Application pursuant to these

regulations. The work "Applicant" standing alone shall be deemed to refer both to Individual Applicants and Joint Applicants.

16. "Maximum Loan Amount" has the same meaning as defined in the HUD Regulations.
17. "Mortgagors" means Applicants who receive Reverse Equity Mortgage Loans.
18. "Principal Limit" has the same meaning as defined in the HUD Regulations.
19. "Principal Residence" has the same meaning as defined in the HUD Regulations.
20. "Program Bulletin" means a bulletin issued by the Corporation implementing the Programs or resolving any ambiguity in, these rules and regulations with respect to the Programs. Program Manuals, Mortgage Lender's manuals and similar documents issued by the Corporation shall constitute Program Bulletins for purposes of these rules and regulations. Copies of all Program Bulletins shall be maintained by the Corporation at its principal office, and shall be available for inspection and copying between the hours of 9:00 a.m. and 5:00 p.m. on Mondays through Fridays, except holidays.
21. "Programs" means the Elderly Home Equity Program and the Home Equity Conversion Mortgage Program described in these regulations.
22. "Reverse Equity Mortgage Loan" means a loan from RIH to an Applicant under either the EHEP Program or the HECM Program, which loan is secured by such Applicant's Home.
23. "Reverse Equity Mortgage Loan Documents" means a promissory note, mortgage, loan agreement and such other documents as may be required by RIH or HUD from time to time in order to grant a Reverse Equity Mortgage Loan to an Applicant. The word "Mortgage" standing alone means the mortgage that is granted to RIH by an Applicant to secure a Reverse Equity Mortgage Loan.
24. "RIH" means the Rhode Island Housing and Mortgage Finance Corporation, a public corporation organized and existing under the laws of the State of Rhode Island.

II. GENERAL DESCRIPTION

A. Generally. The Programs are designed to permit Rhode Island residents who satisfy certain age, residency and income criteria to borrow against the equity in their Homes to assist in meeting living, medical and other miscellaneous expenses. The Reverse Equity Mortgage Loan will be secured by a first mortgage lien on the Applicant's Home. Additionally, Applicants receiving HECM Loans must grant second mortgages on their Homes to HUD as required by the HUD Regulations. It is anticipated, generally, that the loan will be repaid from the proceeds of the sale of the Home upon the death of the last surviving Applicant residing in the Home.

1. The EHEP Program. The EHEP Program will be administered by RIH with DEA participation. EHEP Loans given to Applicants will be financed entirely with RIH funds.

Pursuant to an EHEP Loan entered into with RIH, Applicants who have been approved for participation in the EHEP Program will receive monthly cash Advances for a period of up to twenty (20) years commencing on the first day of the first full month after the expiration of a ten (10) day rescission period (as defined in Section IV. E. of these regulations). The EHEP Loan will bear interest on outstanding principal balances at such rate as shall be determined by the Board of Commissioners from time to time. RIH will collect interest on the EHEP Loan by deducting such interest monthly from the Advance before disbursement to the Applicant. Consequently, the sum of the actual monthly Advances paid to the Applicant will be reduced by the amount of interest on the EHEP Loan charged by RIH. The amount of each Advance will depend upon the total amount of the loan which may not exceed eighty percent (80%) of the Appraised Value of the Home up to a maximum of Sixty Thousand Dollars (\$60,000).

The EHEP Loan shall be due and payable with interest at the rate set forth in the Reverse Equity Mortgage Loan Documents on unpaid principal balances upon the earlier of nine (9) months after the death of the last surviving Applicant (if more than one) or the occurrence of certain other events specified in the Reverse Equity Mortgage Loan Documents.

The total amount of funds paid out together with interest on unpaid principal balances of EHEP Loans will be due either (i) within nine (9) months after the date of death of the Applicant or within nine (9) months after the date of death of the last surviving Applicant (if more than one) residing in the Home or (ii) upon the occurrence of certain other specified events set forth in Section VI. A. of these regulations or to be established by RIH in the Reverse Equity Mortgage Loan Documents from time to time. An Applicant for an EHEP Loan may borrow up to eighty percent (80%) of the Appraised Value of the Home but in no event shall any EHEP Loan exceed Sixty Thousand Dollars (\$60,000). Upon special request, RIH may advance an approved Applicant for an EHEP Loan up to Five Thousand Dollars (\$5,000) in a lump sum prior to the first Advance for the purpose of paying medical expenses, clearing defects in title to the Home or for expenses incurred in connection with making repairs to the Home.

2. The HECM Loan Program. All HECM Loans shall be eligible for and shall be insured by Home Equity Conversion Mortgage Insurance issued by HUD, and shall be issued in accordance with the HUD Regulations as supplemented by these regulations. While the HUD Regulations provide for shared appreciation loans and do not contain income criteria, loans issued under RIH's HECM Loan Program may be fixed and/or variable rate loans as established by RIH from time to time by Program Bulletin and shall only be issued to individuals satisfying the income criteria set forth in these regulations. HECM Loans shall bear interest at such rate or rates of interest as may be established by RIH from time to time by Program Bulletin. All borrower and property eligibility requirements, and all powers and authority granted lenders under the HUD regulations are incorporated herein by reference. Mortgage insurance premiums shall be paid to HUD and added to the mortgage balance as provided in the HUD Regulations. An Applicant for a HECM Loan may borrow up to the Principal Limit established for said loan. An Applicant may receive payments under a HECM Loan in accordance with payment options described in the HUD Regulations and may change the option selected from time to time as provided in said regulations. Applicants wishing to change payment options shall provide RIH with prior written notice of the requested change not less than ten business days prior to the date on which the first payment shall be made in accordance with the new payment option, or within such other time period as may be established by HUD. RIH may charge such fees in connection with each recalculation of payments as permitted by the HUD Regulations. The initial payment to the Applicant and the monthly payments under each of the payment options shall be calculated in accordance with the HUD Regulations. All Mortgages granted as security for HECM Loans, including all second mortgages granted HUD, shall contain all provisions required by the HUD Regulations, and shall be in a form satisfactory to RIH and HUD.

III. ELIGIBILITY FOR PARTICIPATION IN PROGRAMS

A. Generally. The Program shall be open to all Applicants that satisfy the eligibility criteria set forth in these regulations and incorporated herein by reference.

B. Eligibility Criteria:

1. Age. As of the Application Date, each Individual Applicant (or in the case of Joint Applicants, each Joint Applicant) shall be not less than sixty-five (65) years of age in the case of an EHEP Loan, and shall not be less than sixty-two (62) years of age in the case of a HECM Loan.
2. Residency. Applicants shall be residents of the State of Rhode Island.
3. Income. The Income of an Individual Applicant for an EHEP Loan shall not exceed fifty-six percent (56%) of the Area Median Income for individuals. The Income of Joint Applicants for an EHEP Loan, when aggregated, shall not exceed sixty-four percent (64%) of the Area Median Income for married couples without children.

The income of an Individual Applicant or Joint Applicants for a HECM Loan, when aggregated, shall not exceed income limits established from time to time by the Corporation by Program Bulletin.

4. Counseling. Applicants for HECM Loans must receiving such counseling from Housing Counseling Agencies as required by the HUD Regulations, and must provide RIH with a copy of a certificate of completion satisfactory to RIH.
5. The Home.
 - a. Title. The Home shall be owned (i) in fee simple by an Individual Applicant, (ii) by unmarried Joint Applicants as joint tenants with a right of survivorship, and (iii) by married persons both of whom must be Joint Applicants, as joint tenants with a right of survivorship or as tenants by the entirety, provided that, Applicants for HECM Loans may hold leasehold interests in the Home permitted under the HUD Regulations. A married Applicant shall be ineligible to participate I the Program, without the prior written consent of RIH unless both spouses have joint ownership of the Home with the right of survivorship and are jointly obligated in the Reverse Equity Mortgage Loan Documents.
 - b. 3-Year Ownership/Occupancy Requirement. The Home shall have been continuously owned and occupied by an Individual Applicant for at least three (3) years prior to the Application Date. At least one (1) Joint Applicant shall have continuously owned and occupied the Home for at least three (3) years prior to the Application Date, and in the case of HECM Loans, the Home shall constitute the Principal Residence of all Applicants at the time of Application.
 - c. No Liens or Other Encumbrances. At the time of recordation of the Mortgage, title to the Home shall be free and clear of all liens, encumbrances, notice violations, assessments or defects which might affect the priority of the Mortgage, provided that a portion of the proceeds of a HECM Loan may be used to clear title, as permitted by the HUD Regulations, and that the Applicant may use up to Five Thousand Dollars (\$5,000.00) of EHEP Loan proceeds to clear title. Throughout the term of a HECM Loan, all taxes, ground rents, flood and hazard insurance premiums and assessments relating to the Home shall be paid in accordance with the HUD Regulations
 - d. Condition of the Home. Homes securing the EHEP Loan shall be in good repair and condition, and all fixtures thereto shall be in satisfactory working condition; provided, however, that up to Five Thousand Dollars (\$5,00) may be used by an Applicant for an EHEP Loan for repairs to the Home upon RIH approval as set forth in these regulations.

Homes securing HECM Loans must meet minimum property standards as may be established from time to time by HUD. Repairs necessary to satisfy such standards may be completed after the closing of the HECM Loan as permitted under the HUD Regulations. All such repairs shall be completed to the satisfaction of RIH and shall be subject to one or more inspections (as determined by RIH on a case by case basis) by a qualified inspector approved by RIH. A percent of the funds to be disbursed to the Applicant shall be retained by RIH until final inspection of the repairs and approval of RIH, as required by the HUD Regulations. The Applicant shall ensure that all mechanics' and materialmen's liens are properly released of record. RIH may at its option, collect a fee as compensation for administrative duties relating to the repairs as permitted by the HUD Regulations. Applicants shall provide RIH with such certifications as to the repairs as RIH may require from time to time by Program Bulletin.

- e. Taxes. All real estate taxes assessed and then due and payable against the Home as of the date of recordation of the Mortgage shall have been paid by the Applicant.
 - f. No Interest in Other Real Estate. No Applicant for an EHEP Loan shall, as of the Application Date, have an interest in any real estate other than the Home. Applicants for HECM Loans may have such interest in real estate other than the Home as may be permitted by the HUD Regulations.
- 6. Credit Standing. Each Applicant for a HECM Loan must have a general credit standing satisfactory to HUD.
 - 7. Certifications and Compliance with Requirements. Applicants receiving Reverse Equity Mortgage Loans shall annually certify in writing that the Home constitutes their Principal Residence, as required by the HUD Regulations. All certifications shall be a form satisfactory to RIH. Additionally, Applicants receiving HECM Loans shall otherwise satisfy and comply with all other requirements established by HUD under or in accordance with the HUD Regulations.

IV. APPLICATION, REVIEW AND APPROVAL PROCESS

- A. DEA Procedure for EHEP Loans. One or more DEA representatives shall meet with Applicants to explain the EHEP Program and to respond to questions. If an individual is interested in applying for an EHEP Loan, he shall submit an Information Sheet (in such form as may be determined by RIH and DEA from time to time) to DEA for an initial eligibility determination. DEA shall forward such Information Sheet to RIH together with its recommendations. If based on the Information Sheet the Applicant appears to satisfy the Eligibility Criteria, the Applicant shall be given a formal Application to complete.
- B. RIH Procedures for EHEP and HECM Loans. RIH representatives shall, at all reasonable times, be available to assist Applicants in completing the Application and in responding to questions. Applicants for HECM Loans shall apply directly to RIH. In addition to such other information as may be required by RIH, DEA or HUD, all Applications shall state the amount of the loan request, and shall be signed and certified as true and correct by the Applicant. Upon receipt of the Application, RIH may order an appraisal of the Home, and upon receipt by RIH of a loan commitment executed by the Applicant, RIH may order a preliminary report on title. Applications shall be processed by RIH in the order in which the same are stamp-dated "received" from Applicants.
- C. Notification. RIH shall notify each Applicant in writing at the Applicant's address set forth on the Application not later than thirty (30) working days after the Application Date as to acceptance or rejection and, with respect to rejection, the basis upon which the determination to reject the Application was made.
- D. Entering Into the Reverse Equity Mortgage Loan. If the Application is approved, RIH and the Applicant shall establish a mutually acceptable place and date ("Closing Date") for the purpose of executing and delivering all necessary Reverse Equity Mortgage Loan Documents, and such truth-in-lending and other documents as may be required under federal and state law.
- E. Right of Rescission. Each Applicant shall have the right, at any time within three (3) working days after the Closing Date, to rescind the Reverse Equity Mortgage Loan upon such terms and conditions and pursuant to such procedure as RIH may from time to time establish by Program Bulletin. In the case of Joint Applicants, a rescission shall be deemed effective if properly exercised by only one Joint Applicant.

- F. Bases for Rejection. An Application may be rejected for any one or more of the following reasons:
1. Failure on the part of the Applicant to satisfy any or all of the Eligibility Criteria set forth in these regulations.
 2. In the event any representation on the part of an Applicant to DEA, RIH or in the event that an Information Sheet or Application contains any untrue statement of a material fact or omits to state any material fact necessary to make such representation not misleading.
 3. In the event Program funds are not longer available.
 4. In the event the EHEP Loan amount requested is greater than eighty percent (80%) of the Appraised Value of the Home; provided, however, that in such event, RIH shall offer the Applicant a Reverse Equity Mortgage Loan of up to 80% of such Appraised Value as long as the Application has not been rejected for any other reason.
 5. In the event the HECM Loan amount requested is greater than the Principal Limit.

V. COSTS AND FEES

- A. Payment of Expenses, Charges and Fees. At the Closing of an EHEP Loan, RIH shall charge the Applicant such closing costs as established by RIH by Program Bulletins.

The closing costs may be advanced to the Applicant at the closing by adding them to the initial loan balance. The closing costs shall be repaid at such time as the Reverse Equity Mortgage Loan is repaid in full.

At the closing of the HECM Loan, RIH may collect, either in cash or through an initial payment under the Mortgage, such origination fees and other fees and costs as permitted by the HUD Regulations. RIH may charge such other fees and charges throughout the term of HECM Loans as permitted by the HUD Regulations.

VI. DEFAULT

- A. Acts of Default for EHEP Loans. The occurrence of any of the following events will constitute an act of default by an Applicant that has been granted an EHEP Loan:
1. A sale, assignment or transfer of the Home, or any interest therein, other than a transfer pursuant to a right of survivorship, in whole or in part, whether for payment or otherwise, that it is made without RIH's prior written consent;
 2. The placing on the Home of any form of lien or encumbrance, including mechanics', materialmens' or tax liens (other than for taxes not yet due and payable), or the Applicant's taking any action which may result in the imposition of such liens without RIH's written consent, which lien or encumbrance is not removed within ninety (90) days;
 3. Failure on the part of an Applicant to provide RIH on or before each January 1 after the Closing Date with written evidence that the real property taxes, and all other municipal taxes or charges, which are assessed against, or charged to, the Home, have been paid through their due date;
 4. Physical deterioration of the Home beyond normal wear and tear, and failure to repair, replace and maintain the various components of the Home when required or necessary including the failure to repair damage caused by fire or other casualty within a reasonable time after occurrence;
 5. The Applicant's failure to occupy the Home as his or her principal place of residence. An Applicant's (or if there is more than one Applicant,) both Joint

Applicants' absence from the Home for a period of more than ninety (90) consecutive days, unless approved in writing by RIH, shall be conclusive evidence of such failure;

6. Use of the Home for commercial purposes. The renting of any portion of the Home, including garages, unless approved in writing by RIH, will constitute such a use. This restriction shall not apply to the renting of units in a two or three family dwelling provided that the Applicant occupies one unit;
 7. An Applicant's written admission of his or her inability to pay his or her debts, making an assignment for benefit of creditors, or filing for relief under federal or state bankruptcy or debtor's relief statutes. The filing of a petition in bankruptcy against the Applicant without the Applicant's consent will not be an act of default of the petition is dismissed within sixty (60) days of filing;
 8. The total condemnation of the Home by a governmental authority, or a condemnation of a part of the Home if such will interfere with the use of the Home as a residence;
 9. Failure to pay the EHEP Loan in full within nine (9) months after the death of an Individual Applicant or, in the case of Joint Applicants, within nine (9) months after the death of the last to survive;
 10. The failure of an Applicant to maintain hazard insurance on the Home in such amounts as shall be deemed necessary by RIH. The Applicant shall provide to RIH, on or before the expiration date of such insurance, evidence that it has been renewed and that the premiums due under such policy have been paid in full;
 11. Any other occurrence which constitutes a default under the terms of any of the EHEP Loan Documents (as the same may be amended from time to time by RIH) that govern the EHEP Loan in question.
- B. Acts of Default for HECM Loans. Any act constituting an event of default under the HUD Regulations or the Reverse Equity Mortgage Loan Documents executed in connection with HECM Loans, shall constitute an event of default for HECM Loans.

VII. REMEDIES OF RIH UPON DEFAULT.

Upon default, RIH shall be entitled to exercise any one or more remedies set forth in the Reverse Equity Mortgage Loan documents as the same may be amended from time to time; provided, however, that in the event of a foreclosure, RIH shall look solely to the Home and HUD insurance for satisfaction of its claims.

VIII. DENIAL OF ACCESS AND ADMINISTRATIVE APPEALS

The Corporation shall deny access to records requested only in accordance with the provisions of the Public Access Act. Once denied access to a record of the Corporation, any person may petition the Executive Director of the Corporation for a review of the denial by contacting the Executive Director or his designee either orally or in writing at the Corporate Office to request such a review. Such administrative appeals of denial of access will be conducted in accordance with the provisions of the Public Access Act.