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Alert 24-04 | March 5, 2024

IMPORTANT UPDATES: Expected Rate/Margin Lock and HECM Purchase Interested Party Contribution

Effective March 12, 2024, PHH Mortgage Corporation DBA Liberty Reverse Mortgage (Liberty) will offer the optional expected rate and margin lock and accept an Interested Party Contribution on a HECM Purchase for loans with a case assignment date on or after October 31, 2023.

What does this mean for borrowers?

1. Optional Expected Rate & Margin Lock — SUMMARY

Borrower benefit proceeds at closing may be improved.

Available proceeds to borrowers may now be maximized at closing in a new way. Prior to this update, borrowers received the most funds at closing based on the expected rate (10-year CMT index + Margin) as of the application date, **OR** the expected rate at closing, if closing occurs within 120 days of the case assignment date.

Effective March 12, 2024, at closing borrowers will be able to potentially take advantage of lower expected rates that may be effective during the period BETWEEN the application date and the closing date. For example, if the expected rate is the lowest during a rate week between application and closing but increases prior TO the loan closing—the borrower can still benefit (“more available money”) via this new process, with the lowest qualified expected rate being utilized for the closing. Loans in house that have not closed as of March 12, 2024, may be grandfathered to maximize borrower benefits. The expected rate and margin lock period begins on the date of the case assignment & is valid for 120 days. Borrower rate lock extensions (+120 days) may also be available for borrowers at their request and agreement.

CRITICAL: Refer to Section 3 in this alert for details on the required process.

2. HECM Purchase Interested Party Contributions — SUMMARY

Borrower benefit is reduced costs of HECM for Purchase transactions.

Prior to this update, interested party contributions were strictly prohibited by HUD on HECM for Purchase transactions. ("Interested Parties" are identified as sellers, real estate agents, builders, developers, mortgagees, and third-party originators, or other parties with an interest in the transaction.) This is no longer the case and is a significant improvement of the existing HECM for Purchase requirements and restrictions. As of March 12, 2024, Interested Parties may contribute up to 6% of the sales price toward the borrower origination fees, other closing costs, prepaid items, and discount points. Loans in house that have not closed as of March 12, 2024, may be grandfathered to maximize borrower benefits.

CRITICAL: Refer to Section 4 in [this](#) alert for details on the **required** process.

3. Expected Rate/Margin Lock — DETAILS AND REQUIREMENTS

For ARM loans only, Liberty will lock the expected rate and margin at closing for all loans including case transfers with an Expected Rate Lock, Re-lock, and Lock extension Authorization Disclosure executed by the Borrower(s). The disclosure will be available on or after March 12, 2024, for newly generated application packages and for loans in the active pipeline with case assignments on or after October 31, 2023.

For loans with an application received date prior to March 12, 2024, with a case assignment date on or after October 31, 2023, a new Expected Rate Lock, Re-lock, and Lock Extension Authorization Disclosure will be required to be executed by the borrower prior to closing. The expected rate and margin on the Authorization disclosure and change circumstance re-disclosure package must match the expected rate and margin from the initial application package unless the margin was previously re-disclosed lower than the margin from the application date.

The expected rate and margin lock will begin on the date of case assignment and be valid for 120 days. If the initial expected rate and margin lock-in agreement has expired, Liberty may extend the previous lock-in period for an additional 120 days with the agreement of the borrower.

If the expected rate and margin lock hasn't expired, Liberty will complete a look back to determine the best expected rate index from application to closing and give the borrower the lowest expected rate/highest principal limit at closing.

If a loan is being re-locked at a lower margin, a new expected rate lock, re-lock, and lock extension authorization disclosure is not required.

If a loan is being re-locked at a higher margin, a re-lock authorization disclosure must be executed by the borrower and Redisclosures sent to the borrower. Borrower signatures are not required on the Re-disclosure package. A reason for the re-lock at a higher margin must be provided for consideration.

If the borrower chooses not to participate in the expected rate and margin lock, the expected rate and margin will be set at closing.

4. HECM Purchase Interested Party Contribution — DETAILS AND REQUIREMENTS

Interested Parties (sellers, real estate agents, builders, developers, mortgagees, and third-party originators, or other parties with an interest in the transaction) may contribute up to 6 percent of the sales price towards the borrower origination fees, other closing costs, prepaid items, and discount points.

The 6 percent limit also includes:

- Interested Party payment for permanent and temporary interest rate buydowns; and
- Payment of MIP

Fees required to be paid by a seller under state or local law or customarily paid by a seller in the subject property locality, including real estate agent commissions or fees, and the purchase of the Home Warranty policy by the seller are already permitted under 24 CFR § 206.44(c)(1) and will be excluded from the six percent interested party contribution limit.

The satisfaction of a PACE lien or obligation against the property by the property owner is not considered an Interested Party Contribution.

To utilize the Interested Party Contribution, the sales contract and HUD-1 settlement statement must accurately reflect the Interested Party Contributions. When a legally binding document other than the sales contract is used to document the Interested Party Contributions, the document must be provided to the assigned Appraiser.

Please contact your Account Manager or Lender Support if you have any questions - LenderSupport@LibertyReverse.com or call 866.871.1353.

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