



Seasoning of Liens Frequently Asked Questions

What if the borrower cannot locate a HUD-1 Settlement Statement for a lien that was taken out in the last 12 months?

If the borrower does not have the HUD-1 from the recent closing, they should be able to obtain a copy from the title company who closed the loan, or from the lender or the servicer. As a service to the customer, you should review the prior lien (a copy should be provided by the title company upon request) and help the borrower figure out who would have a copy of this document.

Under the current requirements, if the HUD-1 cannot be located, the lien cannot be paid through the HECM loan. The borrower would need to satisfy the lien through other methods and document the payoff of the loan prior to closing. However, UFA believes that FHA will clarify this point with additional options in future guidance.

If a lien has been in place for more than 12 months, is a HUD-1 Settlement Statement required?

No, if the title commitment clearly documents the lien as recorded against the property for more than 12 months, the HUD-1 is not required.

If the lien is ineligible to be paid through closing, but the existing lender will subordinate the lien to 3rd position behind the HECM, is that an acceptable alternative?

Yes, if the lien is not a first mortgage lien and meets all subordination requirements, the lien may be subordinated instead of being paid through closing.

If the borrower took out a loan in the past 12 months but drew less than \$500 at closing or through draws after closing, can the lien be paid off through closing?

Yes

Do these new requirements include closed ended/non-HELOC liens?

Yes, this requirement includes all existing liens tied to the subject property, except existing HECM loans that will be paid off through the new HECM.

If a borrower took out a HELOC over 12 months ago, but has taken a draw of more than \$500 in the last 12 months, can that lien be paid off through closing?

Yes, HELOCs that have been taken out over 12 months ago are not subject to the \$500 draw restriction.

When does the 12 month time frame begin and end?

The time frame begins from the date of the closing shown on the HUD-1 through the application date of the HECM loan.

If a lien was taken out in the past 12 months and the borrower received \$500 in proceeds, is the borrower ineligible?

No, the borrower may pay the lien outside of closing but prior to the final approval being issued. Any funds used to pay the lien outside of closing must be documented using normal funds to close required documentation.

If a borrower obtained a mechanic's lien for repairs to the property within the past 12 months, what are the requirements?

Under the current requirements, all liens taken out in the past 12 months require the HUD-1 Settlement Statement and a payoff statement. UFA understands that most mechanic's liens will not have a HUD-1 Settlement Statement; however, that is the current requirement. We believe that FHA will clarify this point in future guidance.

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