

Non-Borrowing Spouse Guidelines

Non-Borrowing Spouse

A non-borrowing spouse (NBS) is defined as the spouse as determined by the law of the state in which the spouse and mortgagor reside or the state of celebration of the HECM mortgagor *at time of closing*, and who is also not a mortgagor.

Deferral Period

The deferral period is defined as the period of time following the death of the last surviving mortgagor during which the due and payable status of a HECM is deferred, based on the continuous satisfaction of the requirements for an eligible Non-Borrowing Spouse.

Eligible vs Ineligible Non-Borrowing Spouse

When a non-borrowing spouse does not live in the subject property, they will be Ineligible for the deferral period protection. Also, the principal loan amount will be based on the borrower's DOB.

When a non-borrowing spouse does live in the subject property as their primary residence, they are Eligible for the deferral period protection. The principal loan amount will then be based on the Eligible NBS DOB.

- Only income from an Eligible NBS can be used as a compensating factor under FA guidelines. The Underwriter will make the ultimate determination of eligibility. The NBS cannot choose. Guidelines regarding an Eligible Non-Borrowing Spouse (NBS) situation are as follows:
 - The NBS must establish legal ownership or other ongoing legal right to remain in the property within 90 days of the death of the last surviving borrower.
 - The NBS must be married to the borrower at loan closing and have remained as such for the duration of the borrower's lifetime or as long as they live in the home.
 - An eligible NBS can become ineligible after funding, but cannot go from ineligible to eligible.
 - During a deferral period, the property shall continue to be considered the principal residence of any NBS, who is temporarily in a health care institution, provided the NBS physically occupied the property immediately prior to entering the health care institution and they do not remain in the health care facility longer than 12 consecutive months.
 - The NBS must have occupied, and continue to occupy, the property as their principal residence.
 - After death of the last surviving borrower, the NBS must ensure all other obligations of the loan continue to be satisfied and ensure that the loan does not become due and payable for any other reason.
 - The loan disbursements (if any) will stop after the death of the last surviving borrower.
 - This includes tenure and term payments, access to the LOC and LESA payments (full or partial). Therefore, the NBS will need to make taxes and insurance payments on their own if a LESA was set up initially.
 - The loan will continue to accrue interest and MIP after the death of the last surviving borrower until the HECM is satisfied.
 - Both the borrower and NBS must sign a disclosure at closing stating the above and must also submit the same certification annually to the lender/servicer.