

# PRIVACY IMPACT ASSESSMENT

## Reverse Mortgage Solutions (RMS)

January 2014

FDIC External Service

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## System Overview

When a financial institution fails, one of the FDIC's primary tasks as Receiver is to dispose of the failed bank's assets in a manner that maximizes their value. To fulfill this mission, the FDIC employs several strategies, one of which is to sell some or all of the failing bank's assets to healthy financial institutions. Any loans that are not sold in the initial sale are packaged and offered for sale to the broader financial market. The FDIC assumes all associated servicing responsibilities until all of the failed bank's assets/loans are sold.

To assist with its servicing responsibilities, the FDIC Division of Resolutions and Receiverships (DRR) contracts with third-party Loan Servicing Companies to safeguard assets while providing loan services, such as general loan administration, debt restructuring, and collection services appropriate to the type of loan being serviced. The FDIC has contracted with Reverse Mortgage Solutions (RMS), a Federal Housing Administration (FHA) approved reverse mortgage services to service active and suspended reverse mortgage loans secured by real property and originated as Home Equity Conversion Mortgages ("HECM")<sup>1</sup>. The primary services provided by RMS include:

### General Loan Administration

- Converting loans from the previous servicer's system to the RMS loan servicing system
- Notifying borrowers of servicing transfer to RMS on behalf of the FDIC;
- Responding to borrower outreach, questions, and complaints
- Servicing the mortgage loans in accordance with HUD guidelines including collecting and recording payments, payoff processing, and release of liens
- Performance of escrow administration<sup>2</sup> for the payment of insurance and taxes as required, and
- Maintenance of insurance as required by the terms of the loan documents

### Default Management

- Monitoring for defaults and, as necessary, collection of sums past due on loans
- Assisting with refinance of loans or modification of a repayment plan;
- Pursuit of short sales or compromises
- Preparation and filing of proof of bankruptcy claims against borrowers (if applicable)
- Foreclosure as a last resort

### Asset Sales Support

- Maintaining marketing pool codes for each loan
- Assisting with the performance of due diligence
- Performing settlement services
- Transferring sold loans to the new servicer

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<sup>1</sup> HECM refers to a reverse mortgage product that is insured by the Federal Housing Administration of the U.S. Department of Housing and Urban Development (HUD). HECM enables older homeowners to withdraw equity from their home, without any periodic repayment of principal or interest. Repayment of the loan is required when there is a "maturity event," namely when the borrower dies, sells the house, or no longer occupies it as a principal residence.

<sup>2</sup> RMS is responsible for establishing or maintaining escrow accounts to ensure the timely payment of all real estate taxes, ground rents, hazard and flood insurance and other recurring charges if a loan is secured by a lien on real property and the loan documents so require.

### **Owned Real Estate**

- Inspecting, securing, and managing ORE to prevent erosion of value
- Providing services such as appraisals, broker's price opinions, title word, and environmental assessments of the property
- Assisting with the marketing, selling and closing on the properties

## **Personally Identifiable Information (PII) in RMS**

RMS collects information pertaining to borrowers/customers of failed financial institutions, as well as guarantors and heirs of mortgage loans, and tenants/occupants of mortgage properties. This information may contain the following types of PII: full name, date of birth, place of birth, social security number (SSN), employment status/history (if included on death certificate), mother's maiden name, certificates (e.g., birth, death, naturalization, marriage, etc.), medical information (i.e., cause of death if included on death certificate), home address, phone number (non-work) financial information, driver's license, legal documents/records, and military status/records.

## **Purpose & Use of Information in RMS**

RMS utilizes the PII specified above in order to perform general loan servicing, default management, asset sales, and other owned real estate activities in accordance with its contractual agreement with the FDIC. These activities include general loan administration, default management, asset sales support, managed owned real estate (ORE). Please refer to "System Overview" section above for details on these activities.

## **Sources of Information in RMS**

RMS receives loan-related data via an automated transfer process from the failed financial institution/previous servicer's system to RMS's loan servicing system. During the initial loan conversion/transfer process, the current reverse mortgage servicer securely provides all pertinent failed bank reverse mortgage loan data to RMS. RMS staff upload the data to their secure loan servicing system, and review the data to ensure successful completion of the conversion/transfer process. Additionally, FDIC/DRR staff may securely ship hardcopy credit files, collateral files, and any trailing documents obtained from the failed institution to RMS. RMS staff scan/image and upload the files to its secure loan servicing system.

After the loan conversion/transfer process, authorized RMS staff may manually enter PII about borrowers/guarantors, and heirs of mortgaged properties into the RMS loan servicing system as part of their servicing and management of loans through interactions and correspondence.

RMS may collect information directly from borrowers/guarantors/heirs via its secure, self-service website (myRMloan.com), which provides failed institution borrowers access to their individual loans. Borrowers may create an account (register) to be

able to conduct private business and transactions relating to their reverse mortgage loans. The borrower's name, personal contact information, loan number, and SSN are collected during the registration process.

In performing activities related to servicing loans, RMS may collect, process, and record loan payments, financial documents, death certificates (from surviving relatives or heirs of deceased borrower), and complaints from borrowers/guarantors. This information may be obtained from various types of correspondence (e.g., emails, fax, hardcopy forms, online forms, telephone, etc.) with borrowers, guarantors, and heirs of mortgaged properties.

Additionally, RMS may conduct onsite property inspections and prepare property inspection reports that include details on the property condition and occupancy. Minimal PII may be included, such as names, addresses, and telephone numbers of tenants or occupants.

RMS may also collect information from the following non-FDIC entities:

- **Fannie Mae** – RMS may access and review data in Fannie Mae's secure eBoutique loan application, which contains information about the loan including the Fannie Mae loan number, FHA case number, loan status, address, and financial information.
- **Other Third Parties** – RMS may conduct financial-related searches on borrowers/guarantors during activities that could include pre-acquisition death audits, occupancy certifications, establishment/review of escrow accounts, payment of taxes and maintenance of insurance, default management, and ORE management.
- **CredAbility** – If a borrower encounters financial difficulties in fulfilling the terms of their loan, they may receive financial counseling from RMS subcontractor CredAbility. This requires collecting financial information including sources of income and expenses.
- **Lexis-Nexis** – RMS uses VitalCheck, a secure express certificate service provided by Lexis-Nexis, in order to obtain death records for deceased borrowers. These records are necessary in order to verify that a borrower death has occurred that necessitates the repayment of the mortgage loan.
- **SWBC** – In order to verify that the borrower has sufficient property insurance coverage, RMS uses a secure service provided by SWBC. In instances where insurance coverage is insufficient, SWBC notifies the borrower to obtain sufficient coverage, or as a last resort, force-place insurance.
- **CoreLogic** – RMS must ensure that all real estate tax payments are made. To do so, RMS uses TaxWAtch, a secure service provided by CoreLogic, to verify that taxes have been paid by searching using the property address.
- **U.S. Department of Housing and Urban Development (HUD)** – RMS securely accesses loan servicing records in HUD's Home Equity Reverse Mortgage Information Technology (HERMIT) application that contains some or all of the PII specified above.
- **Federal Housing Administration** – RMS is responsible for administering and maintaining FHA mortgage guaranty insurance including making premium payments as required. This may require confirming the borrower's name, property address, FHA Case Number,

age of youngest borrower, financial information, and principle and interest rate on the loan. This may be done via the secure FHA Connection system in limited instances; in general, however, RMS staff utilize HERMIT to reconcile loan information, since FHA Connection feeds into HERMIT.

- **State/Local Government Taxing Authorities** – RMS is responsible for verifying payment of real estate taxes, and in some cases, paying property taxes on behalf of the borrower. RMS or its authorized subcontractors check with state or local government taxing authorities to request tax bills or verify tax payments.
- **Courts** – RMS may need to collect financial information like bankruptcy from the court system as part of default management activities which may include providing the borrower's name, address, or SSN.

## Notice & Consent

Individuals do not have the opportunity to “opt out” or consent to particular uses of their information. The FDIC, acting in its Receivership capacity, is required to convert, service, and sell or otherwise liquidate all assets acquired from the closing of a bank, as soon as possible after the closing. In order to do this, the FDIC has contracted with RMS to help service and sell assets acquired from failed institutions. RMS requires access to all personal information on each asset, in order to appropriately service, modify, or as a last resort, foreclose on a loan, or assist with selling the assets/loans.

## Access to Data in RMS

**FDIC Employees/Contractors** – Authorized FDIC/DRR employees have access to RMS's secure loan servicing system and its website in order to view reverse mortgage loan information. Authorized FDIC/DRR contractors who support FDIC employees in managing loans for failed banks may also receive loan information in order to assist FDIC employees. However, DRR contractors are not provided with direct access to RMS's website. RMS also provides contractually-required monthly reports, remittance packages, and specialized ad hoc reports to authorized FDIC/DRR employees.

**FDIC Document Custodian(s)** – FDIC has a document custodian for the safekeeping and storage of physical collateral loan files which contain PII. RMS arranges for the secure delivery of any custodial documents it receives to the FDIC's document custodian(s).

**Loan Sale Advisors/Financial Advisors/Due Diligence Firms** – At FDIC's request, RMS provides loan files, payment histories and other related data to aid in the sale of loans to FDIC-approved Loan Sale Advisors/Financial Advisors/Due Diligence firms via secure means. These third-party entities require the data to perform asset valuation, marketing, and sales activities on behalf of the FDIC.

**RMS Staff and Subcontractors** – Authorized RMS staff have access to PII about borrowers, guarantors, and heirs of mortgaged properties as part of their loan

maintenance and collection activities, and about purchasers and tenants/occupants as part of their ORE management duties.

**Attorneys** – Outside legal counsel may be provided with access to PII pertaining to borrowers if required to respond to legal proceedings.

**CredAbility** – CredAbility staff provides financial counseling to troubled borrowers to help prevent default. RMS securely provides CredAbility a cash flow worksheet about the borrower which includes the borrower's name and financial information. This information is reviewed with the borrower as part of creating a corrective action plan.

**Property Management** – RMS contracts property management activities including occupancy inspections, property appraisals, and marketing ORE properties. RMS securely provides the borrower name and property address to their subcontractors.

**Winning Bidders/Purchasers** – When assets are sold to an outside investor/bidder, RMS personnel de-convert and securely transfer the sold assets/loan information from the RMS loan servicing system to the winning bidder's/purchaser's loan servicing system. Transfers contain PII including the borrower's name, address, SSN, contact information, financial information related to the loan, and insurance information including policy number and agency name.

**SWBC** – RMS uses SWBC to verify that borrowers have sufficient property insurance coverage. PII shared with SWBC to verify coverage includes name, address, insurance agency name, insurance policy number, insurance collateral amount, and insurance premium.

**CoreLogic and LexisNexis** – RMS securely provides PII to electronic systems provided by CoreLogic and LexisNexis.

**Insurance Providers** – If making insurance payments on behalf of a borrower as part of servicing the loan, RMS will need to provider borrower PII to the borrower's insurance provider to make the payment which may include borrower name, address, and insurance policy number.

**Internal Revenue Service (IRS)** – RMS files with the IRS 1098s/1099s and other required tax reporting documents that contain some or all of the PII specified above. For example, the 1098 includes the borrower's name, SSN, address, and mortgage insurance information.

**U.S. Department of Housing and Urban Development (HUD)** – RMS updates servicing records in HUD's HERMIT application that contains some or all of the PII specified above. For example, this may include updating the borrower's date of death and financial information/transactional information, which in turn affects the loan balance.

**Federal Housing Administration (FHA)** – RMS is responsible for administering and maintaining mortgage guaranty insurance including making premium payments as required. This may require sharing the borrower name, SSN, property address, FHA Case Number, age of youngest borrower, and financial information.

**State or Local Taxing Authorities** – RMS may share PII with state and local governments as necessary for paying property taxes on behalf of the borrower. This typically includes full name, SSN, and address.

**Courts** – RMS may file a proof of claim in the event of a borrower’s bankruptcy or in the case of foreclosure. PII provided to the courts typically contain full name, SSN, address, and financial information. RMS also provides PII to the courts if mandated by a court order.

## Data Sharing

**Other Systems that Share or Have Access to Data in the System:**

System Name	System Description	Type of Information Processed
<b>FDIC Controls Total Module (CTM)</b>	CTM is the primary financial accounting, management and control system for the assets of receiverships and their subsidiaries. Each month, a single summary transaction is manually entered into CTM to track asset balances in the aggregate. There is no PII involved.	Financial non-PII data
<b>FDIC Communication, Capability, Challenge, and Control (4C)</b>	4C houses all asset data for failed institutions beginning with pre-close activities, through asset disposition or ongoing management. It manages data flow and updates from banks, application service providers, as well as internal and external servicers. The Servicer System of Record (SSR) balances in 4C are automatically updated following the manual update of CTM listed above. This is financial data only and does not involve PII.	Financial non-PII data
<b>Fannie Mae (eBoutique)</b>	RMS compares transactions, transfers, and payoffs with servicing records in Fannie Mae’s eBoutique loan application.	Loan number, FHA Case Number, financial information
<b>CoreLogic (TaxWatch)</b>	RMS uses CoreLogic’s secure service TaxWatch to verify that all real estate tax payments are made.	Name, address, parcel number, current and delinquent tax information
<b>LexisNexis (VitalCheck)</b>	VitalCheck is a secure express certificate service provided by LexisNexis. RMS uses VitalCheck in order to obtain death records for deceased borrowers.	Borrower name and SSN

## Data Accuracy in RMS

Data is collected directly from individuals and/or from the failed financial institutions. As such, the FDIC and RMS rely on the individuals and/or financial institutions to provide accurate data. Additionally, the vendor/contractor works with FDIC to verify the integrity of the data; as necessary, an authorized RMS user or administrator checks the data for completeness by reviewing the information, verifying whether or not certain documents or data is missing, and as feasible, updating this data when required.

## Data Security for RMS

RMS has gone through the required security review required by the FDIC to determine and verify their having appropriate physical, technical, and administrative security measures to safeguard PII and other sensitive data. Within FDIC, the Reverse Mortgage Solutions Program Manager/Data Owner, Technical Monitors, Oversight Manager, and Information Security Manager are collectively responsible for assuring proper use of the data. Additionally, it is every FDIC's user's responsibility to abide by FDIC data protection rules.

## System of Records Notice (SORN)

RMS operates under the FDIC Privacy Act SORN 30-64-0013: *Insured Financial Institution Liquidation Records*.

## Contact Us

To learn more about the FDIC's Privacy Program, please visit:

<http://www.fdic.gov/about/privacy/>.

If you have a privacy-related question or request, email [Privacy@fdic.gov](mailto:Privacy@fdic.gov) or one of the [FDIC Privacy Program Contacts](#). You may also mail your privacy question or request to the FDIC Privacy Program at the following address: 3501 Fairfax Drive, Arlington, VA 22226.

