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February 24, 2015

The Honorable Carlo Leone  
The Honorable Matthew Lesser  
The Honorable Joseph J. Crisco  
The Honorable Charlie L. Stallworth  
The Honorable Henri Martin  
The Honorable Bill Simanski  
Hartford, CT

Re: Connecticut House Bill 5651 (2015)

Dear Sirs:

Herein, the National Reverse Mortgage Lenders Association (NRMLA) respectfully submits its comments to Connecticut House Bill 5651 (H.B. 5651).

NRMLA is the national voice of the reverse mortgage industry, serving as an educational resource, policy advocate and public affairs center for lenders and related professionals. NRMLA was established in 1997 to enhance the professionalism of the reverse mortgage business. Our mission is to educate consumers about the pros and cons of reverse mortgages, to train lenders to be sensitive to clients' needs, to enforce our Code of Ethics and Professional Responsibility, and to advise policy makers on reverse mortgage issues. Over 90% of the reverse mortgages in the United States today are originated, purchased, or serviced by NRMLA members.

NRMLA supports responsible reverse mortgage lending, and protecting seniors, while providing seniors with access to credit and choices with respect to financial services. For those seniors who choose to learn about and enter into a reverse mortgage transaction, it can be an important financial tool, provide needed funding or additional retirement options, and allow a senior to age in place in their own home. In short, a reverse mortgage can provide financial flexibility and help finance the longevity of a senior's aging in place. A reverse mortgage is an especially important option today given recent downward trends in other retirement assets and uncertainties surrounding other means of support during retirement.

NRMLA's comments on the bill are focused on three (3) areas, as follows:

First, we do not believe that consumer choice in counseling methods should be taken away from Connecticut seniors. Further, there are currently not enough Connecticut based HUD-approved reverse mortgage counselors available to provide in-person counseling to all Connecticut seniors interested in a reverse mortgage loan. This shortfall, which we do not expect to be fully addressed over the next several years, will work an undue hardship on seniors with limited mobility by requiring them to travel to an in-person counseling session.

Second, we believe that the bill's 7-day cooling-off period requirement is unnecessary and will impose further burdens and potential and undue economic risks upon some Connecticut seniors.

And third, we respectfully request that the Connecticut legislature make a few minor amendments to update Connecticut law to clear up several small hyper-technical glitches.

### *Counseling Requirements*

The following comments relate to the bill's in-person counseling requirements. By way of background, most reverse mortgages originated today are FHA-insured home equity conversion mortgage loans (or HECMs). In 2014, there were 696 HECMs endorsed and funded in Connecticut. In 2013, there were 743, 730 in 2012, 975 on 2011, and 1,108 in 2010. For the years of 2005 through 2009, the number of FHA-insured HECMs endorsed and funded in Connecticut was as follows:

2009 - 1,655  
2008 - 1,762  
2007 - 2,049  
2006 - 1,657  
2005 - 1,062

NRMLA wishes to point out several very important facts about FHA-insured HECM loans. All seniors who wish to obtain a HECM reverse mortgage must be counseled by a counseling agency approved by HUD. The counseling agency also must follow robust HUD reverse mortgage counseling guidelines and protocols.

Lenders under the FHA HECM program must provide prospective senior applicants with a list of HUD-approved counseling agencies. Certain national and regional intermediaries must always be included on the list. In addition, the HECM counseling list must include at least five agencies within the local area, state or both of the prospective borrower, and one of the local agencies should be located within a reasonable driving distance for the purpose of in-person counseling if the senior chooses to undertake in-person counseling. With the HECM program, lenders are limited in taking and processing a full and complete loan application until the borrower has gone through counseling and presents a counseling certificate to the lender.

Under the FHA-insured HECM program, in-person counseling is not required. And, lenders are prohibited by federal statute from paying for a borrower's HECM counseling.

However, today, there are only four (4) counseling agencies in Connecticut that are approved by HUD. Those four (4) Connecticut based HUD-approved counseling agencies are only located in three of eight of Connecticut's counties and are as follows:

- 1) Housing Development Fund, Inc. - Stamford, CT
- 2) Money Management International East Hartford- East Hartford, CT
- 3) Neighborhood Housing Services of New Haven- New Haven, CT
- 4) Neighborhood Housing Services of Waterbury- Waterbury, CT

We are further informed that there is only one HECM approved counselor within each of these counseling agencies. This amounts to only four HUD-approved HECM counselors in the entire state of Connecticut. Thus, maintaining a Connecticut senior's ability to engage in telephonic counseling, if they choose to do so, is very important.

Further, there are no HUD-approved counseling agencies in the eastern half of the state of Connecticut. There are also no HUD-approved counseling agencies in the Danbury area or north of I-84 northwest of the Danbury - Hartford corridor.

Thus, we are concerned that if every senior that wishes to receive reverse mortgage counseling is sent to in-person counseling, the current counseling capacities in Connecticut will be woefully inadequate to support such seniors. We are also concerned that the in-person counseling requirement could result in instances of hardship and disparate adverse impact on a disabled mortgagor's ability to obtain a reverse mortgage.

Often, a senior reaches out to a counseling agency first in a non-in-person setting, prior to speaking with a lender. We have concerns whether all Connecticut seniors will know about the in-person counseling requirement, and if counseling agencies will know whether a senior is interested only in a reverse mortgage, or other alternatives that are required to be discussed in such a counseling session. In those instances, if Connecticut reverse mortgage borrowers are required to receive in-person counseling before they can submit a completed application to a lender, such seniors would have to go through counseling again, in an in-person setting, thus creating additional costs to Connecticut seniors. As noted above, lenders cannot pay for counseling under the federal HECM program. Thus, in many instances, seniors will be required to pay for counseling twice. We do not believe that such a result was intended or serves a legitimate policy purpose.

Further, and importantly, requiring in-person counseling takes away a Connecticut senior's choice on whether they wish to travel to a counseling session in order to undertake in-person counseling, or participate in such counseling over the phone. In-person counseling also costs more. As stated above, FHA rules prohibit lenders from paying for HECM counseling. We would submit to you that, in our experience, seniors are proud and do not wish to have their choices made for them, but are looking to maintain independence of choice and action in their retirement years.

Moreover, if in-person counseling is required in Connecticut, given the lack of capacity in Connecticut of available counselors today, we believe a back log in reverse mortgage counseling would occur in Connecticut, and access to reverse mortgage credit for Connecticut seniors that wish to choose it will be further constrained. Our experience in other states that have tried in-person reverse mortgage counseling, such as Massachusetts and North Carolina, bears out these consequences. In those states, when in-person reverse mortgage counseling was required, reverse mortgage counseling became back logged for up to four months. In these states, however, there are many more reverse mortgage counselors than currently exist in Connecticut; and, Massachusetts is similar to Connecticut in population and size.

We believe such delays could have dire economic consequences for some Connecticut seniors, and remove choice and access for all Connecticut seniors. In this regard, please note that the loan funds available to a senior under a reverse mortgage are set, in part, by the interest rate on the loan. As you know, interest rates can and do fluctuate. If a senior has decided to proceed to obtain a reverse mortgage, but cannot obtain counseling for an extended period of time, and interest rates increase, the amount of loan funds available to the senior under a reverse mortgage will decrease. H.B. 5651 as currently drafted would place this extended interest rate and possible loss of loan proceeds risk squarely upon Connecticut seniors.

Respectfully, we further believe that the proposed legislation will require small businesses to hire additional employees in order to comply with the proposed regulation. In order for such counseling

capacity to be adequate, counseling agencies will be required to hire more counselors and open new locations. Many, if not most, local counseling agencies are small businesses. If counseling agencies do not hire more counselors, as described above, backlogs of reverse mortgage counseling will occur. Thus, with regard to the issue of fiscal impact and whether this bill, as currently drafted, will likely impact and deter formations of new small businesses in Connecticut, respectfully, we believe that it will, and the bill, as currently drafted, also could cause some small businesses to discontinue operations in the Connecticut.

For the above reasons, we respectfully request that the bill be substituted to remove the words "in-person" from the first sentence of subsection (2) of Section 1 of H.B. 5651.

### *7-Day Cooling-Off Period*

With regard to the bill's 7-day cooling-off period requirement, in our view, what the bill intends to address with this provision is not an issue; however, the manner by which the bill proposes to address those issues presents certain problems. In many instances, a prospective reverse mortgage applicant who may be interested in a reverse mortgage, will reach out to and attend a counseling session, and be counseled, by a HUD-approved counseling agency prior to speaking with a lender. Further, it is very common for a senior to speak with a lender without initiating the process of applying for a reverse mortgage loan or attending a counseling session. Then, months, or in some cases, years later, the senior may seek out counseling on his or her own, and apply for a reverse mortgage with a different lender. In these instances, H.B. 5651, if enacted as currently drafted, would require lenders to send such seniors to counseling again. Further, H.B. 5651, as currently drafted, would have the unintended but potential effect of "tying" a senior to the one lender with which the senior initially discussed a reverse mortgage. This type of "chilling effect" on consumer choice and a senior's ability to "shop" for a reverse mortgage cannot be what was intended under H.B. 5651, nor would we support such a consequence. Rather than potentially "tying" a Connecticut senior to a particular lender that may not offer, or provide the lowest interest rate on, the reverse mortgage product that best fits the needs of that senior, we believe that a Connecticut senior should have the choice to "shop" for an obtain such a loan from a lender that does.

Further, reverse mortgage borrowers are now already subject to extreme "loan fatigue," with an over-abundance and oversupply of federally-mandated disclosures (as well as state-specific loan disclosures). Moreover, the processing times for reverse mortgage take at least a few months. During this process, there are a number of delays and regulatory waiting periods that clearly already allow several "cooling-off" periods. [Please find attached NRMLA's White Paper on reverse mortgage loan processing and closing time periods.] It appears that one premise of H.B. 5651 is that reverse mortgage applicants are placed through a whirlwind process without ever having a chance to reconsider the transaction, when in actuality, the marketing, origination, processing underwriting, closing and funding of reverse mortgage loans take at least several months in most instances, and require that numerous items of information both be provided to and obtained from senior applicants along the way. All of these instances provide ample opportunity for further deliberation, reconsideration, and a decision by the applicant not to proceed with the loan transaction. Further, federal law requires that, even after a refinance reverse mortgage is closed, the lender cannot fund the loan for three (3) business days until the borrower has been afforded an opportunity, even after the loan has closed, to rescind and cancel the loan transaction.

And, in some cases, an additional 7-day delay could further exacerbate timing issues, such as when the reverse mortgage is being used to save a senior's home that is in foreclosure or a reverse mortgage that is being used for a home purchase.

For the above reasons, we respectfully request that the bill be substituted to remove subsection (4) of Section 1 of H.B. 5651.

### *Statutory Language Clarifications*

Finally, we respectfully request that certain provisions in the Connecticut General Statutes, which H.B. 5651 addresses, be further amended to update Connecticut law and clear up several hyper-technical glitches.

Reverse mortgage loans may be offered whereby a series of advances are made by the lender to the borrower, or wherein one lump sum advance of loan proceeds is made at the consummation of the loan. Lump sum advance loans, for instance, are common in a reverse mortgage purchase money transaction. For this reason, we respectfully request that Connecticut statutes be revised to recognize that reverse mortgages may include a series of advances over the life of the loan, or one advance at the consummation of the loan.

For the above reasons, we respectfully request that the bill be substituted to revise Section 4. of H.B. 5651.

Subsection 4 of Section 4 of H.B. 5651 currently provides:

"(4) ["Reverse annuity mortgage loan"] "Reverse annuity loan" means a mortgage loan in which loan proceeds are advanced to the mortgagors, in installments, either directly or indirectly, and which together with unpaid interest, if any, is to be repaid in accordance with subdivision (2) of subsection (e) of this section; ..."

We respectfully request that the bill be substituted to revise subsection 4 Section 4 of H.B. 5651, as follows:

"(4) ["Reverse annuity mortgage loan"] "Reverse annuity loan" means a mortgage loan in which loan proceeds are advanced to the mortgagors, either in a lump sum or in installments, either directly or indirectly, and which together with unpaid interest, if any, is to be repaid in accordance with subdivision (2) of subsection (e) of this section; ..."

Further, Section 7. of H.B. 5651, which repeals and reenacts Subdivision (1) of Subsection (d) of Section 49-2 of the Connecticut General Statutes, could be improved if it is amended to read as follows:

(d) (1) Any mortgage to secure an advance or advancements made by a mortgagee or its assignee to a mortgagor pursuant to the terms of a mortgage securing a reverse annuity [mortgage] loan, as defined in subdivision (4) of subsection (a) of section 36a-265, as amended by this act, shall be sufficiently definite and certain and valid to secure all money actually advanced pursuant to and in accordance with its terms, whether at or subsequent to closing of the loan, up to but not exceeding the full amount of the loan therein authorized with the same priority as if all such money had been advanced at the time such mortgage was delivered if such mortgage sets forth: (A) That it is a ["reverse annuity mortgage loan"] "reverse annuity loan" and contains a reference to subdivision (4) of subsection (a) of section 36a-265, as amended by this act; (B) the full amount of the loan authorized; (C) a statement of the dates on which such advancements are to be made and the amounts of such an advance or advancements; and (D) the events which will give rise to the maturity of the loan.

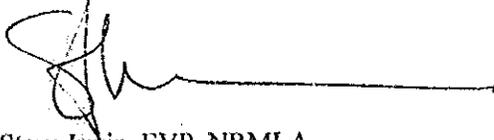
We respectfully request that you substitute the bill in this manner.

### *Conclusion*

In conclusion, we commend the Legislature on its draft bill. NRMLA also supports responsible reverse mortgage lending, and protecting seniors, while providing seniors with access to credit and a choice with respect to financial services. However, for the reasons explained above, we are concerned that H.B. 5651, as currently drafted, will require lenders to send all Connecticut reverse mortgage applicants to in-person counseling on and after October 1, 2015. As it exists today, we do not believe there are adequate counseling resources available in Connecticut to handle such reverse mortgage counseling volume. And, we are not certain at this point that such capacity will be in place by October 1, 2015. If such counseling capacity does not exist by that time, in less than one year, we believe access to reverse mortgage counseling, and credit, will be constrained in Connecticut. We also believe in maintaining a senior's choice as to how they wish to undertake counseling if they choose to pursue a reverse mortgage. We also do not believe a seven day cooling off period is necessary given all of the other processes and disclosures a senior must go through to apply for and consummate a reverse mortgage transaction today. We also believe that the bill's provisions can be improved in a few key areas through minor amendments or clarifications.

We respectfully request that the Banking Committee keep that in mind and commit to work with appropriate stakeholders on substituted legislation that will assist, not prevent, Connecticut seniors from being counseled on, and having access to, a financial tool that allows seniors to age in place in their own homes. We trust that the Legislature will find our comments to the draft bill both helpful and informative, and we trust that you will act upon them favorably.

Respectfully submitted,



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