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Via email and U.S. Mail:

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Aging Committee
State Capitol Building, Room 011
Hartford, CT 06106

Re: Connecticut S.B. 163

Dear Senator Flexer, Representative Serra, Ranking Members, and Committee on Aging:

I write this letter on behalf of the National Reverse Mortgage Lenders Association (“NRMLA”) to express its serious concerns regarding Connecticut Senate Bill 163. As discussed in further detail below, we are concerned that if enacted as drafted, S.B. 163 will have a severe chilling effect on consumers and legitimate reverse mortgage business activity in Connecticut. As such, we respectfully urge you to amend S.B. 163.

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. NRMLA members make over 90% of the reverse mortgages originated today.

As you are aware, a reverse mortgage is a loan secured by the value of a consumer’s home. A reverse mortgage loan is never required to be repaid until the borrower ceases to occupy the home as a principal dwelling. Rather, a reverse mortgage allows a borrower to turn equity in the home into cash without having to move or make monthly mortgage payments. Eligible seniors may use the proceeds from a reverse mortgage loan to, among other things, supplement retirement income and/or make repairs and/or improvements to their homes. A reverse mortgage may be a critical financial “safety net” to seniors in this current economic environment. In addition, while we agree in principle that additional consumer protections are generally worthwhile, we urge you to oppose S.B. 163 due to the unworkable in-person meeting and execution of counseling certificate provisions contained in the bill.

The most prevalent reverse mortgage program in the country today, including in Connecticut, is the Federal Housing Administration (FHA)-insured Home Equity Conversion Mortgage (or HECM) loan. We are informed that FHA HECMs make up almost 99% of reverse mortgage production today, including those reverse mortgages made to Connecticut senior consumers.

S.B. 163, as introduced and currently drafted, requires that a prospective applicant either undergo the reverse mortgage loan origination in person, or attend a counseling session in person. S.B. 163 also requires that the counseling certificate be signed by the prospective applicant and either the independent agency counselor or the reverse mortgage loan originator.

Under the most prevalent reverse mortgage program on the market today, the FHA-insured HECM program, there are counseling independence requirements that prohibit lenders from steering borrowers to a particular counselor or paying for counseling. Further, requiring a lender or loan originator to sign the counseling certificate would be in direct violation of federal policy of the FHA HECM program.

Moreover, requiring that either the origination or counseling must be conducted in person will have a chilling effect on reverse mortgage originations in Connecticut, and such a requirement is **not** provided by FHA under the HECM program. The federal government simply requires that there be counseling by an independent HUD-certified counselor. The consumer makes the choice of whether such counseling shall take place in person or by telephone. The net effect of this legislation will be to deny consumer choice and rights under the FHA HECM program. Many seniors are not able or do not choose to travel to meet with a loan officer or counselor in person. Also, requiring either in-person mortgage origination or in-person counseling will have an adverse impact upon Connecticut-licensed and regulated mortgage companies that do not have an office in every locale within Connecticut.

NRMLA wishes to point out several very important facts about FHA-insured HECM loans. All seniors wishing 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 HECM counseling agencies. Certain national and regional intermediaries **must** always be included on the list. In

addition, the list **must** include at least five agencies within the local area, state or both of the prospective applicant, 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 prospective applicant has gone through counseling and presents a counseling certificate to the lender.

Under the FHA-insured HECM program, neither in-person counseling nor in-person origination is required. In addition, lenders are prohibited by federal statute from paying for a borrower's HECM counseling, or signing the counseling certificate.

In addition to S.B. 163 discriminating against out-of-state lenders, or in-state lenders without an adequate number of offices throughout the state, we further note that, 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; and
- 4) Neighborhood Housing Services of Waterbury- Waterbury, CT.

We are further informed that there is one HECM-approved counselor within each of these counseling agencies. This amounts to four HUD-approved HECM counselors in the whole of the state of Connecticut. Thus, maintaining a Connecticut senior's ability to engage in telephonic counseling, if they choose to do so, while not discriminating against Connecticut-licensed and regulated mortgage companies that do not have an office in every locale within Connecticut, is critically important, particularly if the potential consumer has special needs, such as speaking a foreign language.

Moreover, 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.

We firmly believe that S.B. 163 will have the unintended consequence of decreasing the availability of reverse mortgage competition while simultaneously increasing the cost of credit to Connecticut seniors seeking a reverse mortgage loan. This may potentially result in seniors being denied a critical economic “lifeline” in the current economic environment.

Further, we note that S.B. 163 requires lenders to provide to seniors a worksheet prior to the senior attending reverse mortgage counseling. We note, however, that often a senior may have already received counseling and received a counseling certificate prior to reaching out to a particular lender. Due to these common occurrences, we respectfully request that S.B. 163 be amended to provide that the necessity of providing a worksheet disclosure is dispensed with when a senior has already been counseled prior to reaching out to a particular lender.

As such, we respectfully urge you to amend S.B. 163 to remove the requirement for a mandatory in-person meeting for either counseling or reverse mortgage origination.

Respectfully submitted,



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