



Testimony  
of  
Peter H. Bell, President & CEO  
National Reverse Mortgage Lenders Association  
before the  
Subcommittee on Insurance, Housing & Community Opportunity  
House Financial Services Committee

September 14, 2011  
2128 Rayburn House Office Building

Madam Chairwoman and Members of the Subcommittee:

Thank you for convening this hearing to look into the important issue of housing counseling. I am here today in my capacity as President & CEO of the National Reverse Mortgage Lenders Association (NRMLA), a trade association of over 300 companies involved in the origination, funding and servicing of reverse mortgages. Our organization has been serving the reverse mortgage industry as a policy advocate and educational resource since 1997. We also provide information about reverse mortgages to consumers and members of the press.

NRMLA member companies are responsible for over 90% of the reverse mortgages made in the United States. All NRMLA member companies commit themselves to our Code of Ethics & Professional Responsibility. A core value of our organization is our commitment to independent third-party counseling as an integral part of the reverse mortgage origination process.

This subcommittee, including members from both sides of the aisle, has been consistently sensitive to reverse mortgage issues and has continually taken steps to improve and enhance FHA's Home Equity Conversion Mortgage (HECM) program. For that, we are very appreciative, as are the 660,000 senior households who have utilized the HECM program.

As you know, a few months ago, Congress passed legislation that deleted funding that would have supported housing counseling for the federal fiscal year beginning on October 1, 2011, just over two weeks from now.

I would like to focus today on one aspect of the housing counseling activities that are affected by this, a relatively small niche in the whole scheme of things, but a very important item for those who are affected. That is pre-application counseling for older homeowners who are contemplating obtaining a HECM reverse mortgage.

The issues surrounding reverse mortgage counseling bring several key questions into consideration.

The most striking is simply how do we finance our longevity? With life carrying on for decades beyond our earning years, we must manage assets and resources to sustain ourselves longer. This requires the strategic use of home equity as a means of financial support.

Housing wealth, the equity accumulated in a home, to many American families, represents the largest component of personal wealth. Typical retiree households might have one or two incomes from Social Security, a modest pension and/or limited income from low-yielding fixed-income instruments, and, perhaps, a diminished 401(k) account. The equity they have built up in their home is, by far, their greatest asset, an important resource for funding their future.

Analyzing how a reverse mortgage might fit into the picture and learning how to assess various options available is not an easy task -- particularly for older homeowners who might not have been in the financial markets for a while, for newly widowed individuals whose loss of their spouse's Social Security creates financial insecurity, for seniors struggling to make ends meet or those trying to plan ahead to maximize their resources and sustain their financial independence.

An earlier Congress recognized this and made mandatory counseling a critical aspect of the program when it first authorized the FHA Home Equity Conversion Mortgage (HECM) in the 1987 Housing & Community Development Act.

Counseling has become a hallmark of the HECM program. It is a very effective consumer safeguard and its impact can be seen in the limited and isolated number of instances where there has been evidence of fraud or elder financial abuse within the HECM program. NRMLA regularly surveys Attorneys General offices in all states, Divisions of Banks, and Departments of Consumer and Elderly Affairs, and all report a very low incidence of complaints about reverse mortgages. I would suggest that the mandatory counseling is a significant contributor to the integrity of the HECM program.

The opportunity for every prospective reverse mortgage client to consult with an independent, professional reverse mortgage counselor prior to formally submitting an application for a reverse mortgage is a critical step for helping consumers to make a sound decision. The reverse mortgage counselors are employed by HUD-approved, community-based and nationally-designated nonprofit housing and credit counseling organizations, and each individual counselor must be qualified by passing a HUD-administered exam and meeting continuing education requirements.

The counseling covers several key aspects as delineated in the statute that created the HECM program. First of all, Sec. 255 (d)(2)(b) of the National Housing Act requires that:

“To be eligible for insurance under this section, a mortgage shall have been executed by a mortgagor who has received adequate counseling as provided in subsection (f), by an independent third party that is not, either directly or indirectly, associated with or compensated by a party involved in originating or servicing the mortgage, funding the loan underlying the mortgage or engaged in the sale of annuities, investments, long-term care insurance or any other type of insurance or financial product.”

Sec. 255 (f) further requires:

“The Secretary shall provide or cause to be provided adequate counseling for the mortgagor, as described in Subsection (d)(2)(b). Such counseling shall be provided by counselors that meet qualification standards and follow uniform counseling protocols.

“The protocols shall require a qualified counselor to discuss with each mortgagor information which shall include --

- 1.) Options other than a home equity conversion mortgage that are available to the homeowner, including housing, social service, health and financial options;
- 2.) Other home equity conversion options that are or may become available to the homeowner, such as sale-leaseback financing, deferred payment loans, and property tax deferral;
- 3.) The financial implications of entering into a home equity conversion mortgage
- 4.) A disclosure that a home equity conversion mortgage might have tax consequences, affect eligibility for assistance under Federal and State programs, and have an impact on the estate and heirs of the homeowner; and
- 5.) Any other information that the Secretary may require. “

The result of this has been the development of a robust network of committed counseling organizations and qualified individuals to deliver the HECM counseling, either in face-to-face sessions or via telephone, depending on each client’s personal choice and mobility. This counseling network has ably served the needs of older homeowners considering HECM loans and has grown in capacity and sophistication as the decisions that go into evaluating a HECM get ever more complex.

On top of the fact that ALL seniors considering a reverse mortgage must undergo counseling before they can formally make an application for a HECM, counseling agencies are required by HUD to perform such counseling at no cost for clients whose incomes are below 200% of the Federal poverty level, which is under \$28,000 per year for a two-person household, a level that many senior homeowners living on Social Security fall under. According to one of the most active HECM counseling agencies, Credibility in Atlanta, a HUD counseling intermediary serving seniors on a nationwide basis, 56% of their counseling clients fall under this threshold.

So, the issue we face today is how will these mandates be met? How will counseling continue to be available to all HECM borrowers? We face a legal mandate to make sure that adequate counseling is provided to all prospective HECM borrowers. We face a moral mandate to make sure that this counseling is equally available to those with more limited means. We don’t want to preclude deserving older Americans from accessing a HECM that might help them re-organize their finances to achieve sustainability in their homes, simply because they can’t afford the upfront fees associated with HECM counseling.

The robust network of HECM counselors that has evolved has been served by various organizations over time. In earlier years, the AARP Foundation provided technical assistance and educational support for the HECM counseling network. The

foundation helped develop the exam that HECM counselors must pass and provided training and capacity-building assistance to counseling organizations.

In more recent years, the functions previously performed by the AARP Foundation have been taken over by other organizations, including NeighborWorks and the National Council on Aging. Each of these organizations has made a significant contribution towards furthering the quality and availability of counseling through training, tracking, collecting and analyzing data, and providing technical education and information exchange opportunities to counseling organizations and individual counselors.

One particular area that has emerged, and both NeighborWorks and NCOA are to be commended for stepping up to the plate to deal with the issue, is providing remedial counseling to reverse mortgage borrowers who have had setbacks in their financial affairs and have had difficulties meeting their obligations to pay property taxes and insurance. Failure to pay these so-called "property charges" represents a technical default under the HECM program.

When a borrower falls into technical default, the loan servicer is obligated to pay such charges on their behalf to protect the FHA insurance fund and begin working with the borrower to bring the account current. HECM counselors play an integral role in providing remedial assistance and advice for borrowers in technical default.

As a result of these remedial counseling services, a high percentage of households facing this situation have been able to be put on a repayment plan to reimburse the lender's advances, protecting FHA from possible payouts for claims, while preserving the homeowner's ability to continue living in their home – a win-win solution for all involved – and one that requires the active participation of qualified HECM counselors.

All in all, the cost of providing this type of HECM counseling for those who cannot afford it is small. The cost of not providing it could be great.

If Congress were to restore funding for housing counseling for the new fiscal year, all stakeholders including Housing Counseling Agencies (HCAs), national intermediaries and HUD would have to work in concert to expeditiously get funding out to the field as quickly as possible. Many HCAs have already run out of their prior year's funding and are being forced to curtail their HECM counseling activities.

To minimize any hiatus in HECM counseling, we would recommend that no changes in distribution channels for funding be made at the present time, but instead that opportunities for streamlining counseling support be studied for future implementation. This would allow the established network of exam-qualified HECM counselors at HUD-approved agencies to continue to serve our senior population of prospective HECM borrowers, as well as those current borrowers trying to work their way out of a technical default.

Standards for housing counseling criteria, in the HECM arena, are very specific and stringent. They are the product of an ongoing collaborative effort among a varied group of stakeholders including HUD, senior advocacy groups, gerontological experts, housing counseling professionals and experienced lenders. They have proven to be very effective to date and have been considerably enhanced with the introduction of updated HECM counseling protocols a little over a year ago.

Training is always an area where more can only be helpful. Providing a reliable stream of funding to counseling agencies, particularly those facing the mandate to provide counseling at no charge to a significant percentage of their clients, is essential for assuring ongoing training of personnel and development of systems to collect data that can be analyzed to make counseling and underwriting even more effective over time. In fact, the counseling process, both from collecting data upfront and assessing outcomes over time, provides the best opportunity to truly ascertain how and when a HECM is appropriate for any prospective borrower.

FHA, the housing counseling network and the reverse mortgage industry have been working collaboratively to gain further insight on how to improve the safety and delivery of HECMs. The counseling, both upfront before loan application and remedial counseling are critical components of the HECM process. It is important to make sure funding is there to keep this intact.

NRMLA urges the members of this Subcommittee to continue to support adequate funding for HECM counseling, to work with the appropriators to provide the funding and to work with HUD, NeighborWorks and other counseling organizations to distribute counseling funds as expeditiously as possible to minimize any possible disruption in the availability of this importance service.

Thank you for the opportunity to appear before this Subcommittee. I would be pleased to answer any questions.

## Professional Biography for Peter Bell



Peter Bell is the President & CEO of National Reverse Mortgage Lenders Association (NRMLA), a Washington, D.C.-based trade association representing lenders, investors and loan servicers engaged in the origination, funding, administration and marketing of reverse mortgages, as well as vendors who provide services to those core members of the Association. NRMLA's primary functions include providing policy analysis and advocacy, public affairs outreach, professional education and networking opportunities for the reverse mortgage industry. The Association has developed and sponsors the Certified Reverse Mortgage Professional (CRMP) designation for individuals involved in the reverse mortgage business. Its Ethics Committee fulfills an important responsibility ensuring that all member companies conduct their business in accordance with a stringent Code Of Ethics & Professional Responsibility. Mr. Bell has served as NRMLA's CEO and chief ethics officer since its inception in 1996.

Mr. Bell has a long, deep background as a housing policy analyst in Washington for the past 35 years. In addition to his work on reverse mortgage and retirement finance issues, he is a nationally recognized authority on affordable housing development and finance issues and is frequently called upon to testify before Congress or advise federal agencies on housing matters. Mr. Bell serves on several civic and industry boards including the Board of Directors for Homes for America, an Annapolis, MD-based nonprofit developer of affordable housing active in the Mid-Atlantic region, the Editorial Advisory Board of Housing & Development Reporter, and advisory boards for US Bank Community Development Corporation and The Related Companies Community Development Corporation.

**United States House of Representatives  
Committee on Financial Services**

**“TRUTH IN TESTIMONY” DISCLOSURE FORM**

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

<b>1. Name:</b>  PETER H. BELL	<b>2. Organization or organizations you are representing:</b>  NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION
<b>3. Business Address and telephone number:</b> 	
<b>4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>  <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.</b>	
PART CONTRACTED WITH NEIGHBORWORKS TO PROVIDE EDUCATIONAL WEBINARS FOR REVERSE MORTGAGE COUNSELORS. TOTAL AMOUNT: \$16,875	
<b>7. Signature:</b>  	

*Please attach a copy of this form to your written testimony.*