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National Reverse Mortgage Lenders Association

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Via Web Submission and Email:

http://www.regulations.gov
RegComments@fhfa.gov

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Attention: Comments/RIN 2590–AA65
400 Seventh Street, SW
Eighth Floor
Washington, DC 20024

Re: (RIN) 2590–AA65, FHFA's Proposed 2015–2017 Enterprise Housing Goals

Dear Mr. Pollard:

The National Reverse Mortgage Lenders Association ("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 and its members consist of companies that originate, service, and invest in reverse mortgages.

On September 11, 2014, the Federal Housing Finance Agency ("FHFA") published its proposed 2015-2017 Enterprise Housing Goals in the Federal Register. Therein, FHFA encourages commenters to address all aspects of the proposed rule. NRMLA appreciates the opportunity to submit comments in response to FHFA's proposed 2015-2017 Enterprise Housing Goals. Specifically, NRMLA strongly urges FHFA to consider including reverse mortgages in the housing goals for the Enterprises for the 2015-2017 period, and beyond.

Our comments first provide background on the reverse mortgage industry, followed by a summary of FHFA's proposed housing goals rule for the Enterprises for the 2015-2017 period. We next discuss our recommendations FHFA's proposed housing goals rule for the Enterprises for the 2015-2017 period.

A reverse mortgage is a type of home loan that allows a senior that is 62 years of age or older to access the equity in their home through lender advances to the senior, but that does not require a monthly mortgage payment from the borrower to the lender. A borrower's repayment under a reverse mortgage may be deferred until the homeowner passes away, sells the home, or moves out of the home (i.e., a "maturity event"). Since there are no required borrower monthly mortgage re-payments on a reverse mortgage, the interest is added to the loan balance each month. The loan is non-recourse to the borrower (or the borrower's estate), and the loan balance is typically re-paid from the value of the home at maturity.

For decades, policymakers, senior advocates and industry participants have explored better methods for seniors to access the equity in their homes. One such method is the reverse mortgage. Lenders have been offering proprietary reverse mortgages since the 1980's. In addition, the Federal Housing Administration (FHA) Home Equity Conversion Mortgage (HECM) program was launched in 1989 as a pilot program, and was made permanent in 1998. In the early- to mid-2000s, lenders re-introduced proprietary reverse mortgages, and at its height in 2007, proprietary reverse mortgages on a dollar volume basis reached in excess of 15 percent of the reverse mortgage market. However, since the financial crisis in 2008, most reverse mortgages today are insured by FHA under its HECM loan program.

Below, we outline the important role that reverse mortgages can play to address senior housing needs, and the role the Enterprises might play to support those housing needs as part of important, necessary and desirable Enterprise goals.

Overview and Summary of FHFA's Proposed 2015–2017 Enterprise Housing Goals

On September 11, 2014, the Federal Housing Finance Agency (FHFA) issued a proposed rule with request for comments regarding the housing goals for Fannie Mae and Freddie Mac (the "Enterprises"). The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, (the Safety and Soundness Act) requires FHFA to establish annual housing goals for mortgages purchased by the Enterprises. The housing goals include separate categories for single-family and multifamily mortgages on housing that is affordable to low-income and very low-income families, among other categories.

This proposed rule would update the benchmark levels for each of the housing goals and sub-goals for 2015 through 2017. The proposed rule presents three alternatives for determining whether an Enterprise has met the single-family housing goals. The first option would keep the current approach, which compares the performance of the Enterprise both to a benchmark level and to a retrospective market level. The second option would use a benchmark level only, and the third option would use a retrospective market level only.

The proposed rule would also revise a number of other provisions in order to provide greater clarity on the mortgages eligible for goal or sub-goal categories. Specific changes include rules for counting shared living spaces such as student housing and rules for skilled nursing and seniors housing units. In addition, the proposed rule would make a number of clarifying and conforming changes, including revisions to the definitions of "rent" and "utilities" and to the rules for determining affordability of both single-family and multifamily units.

Section 1332(e)(2) of the Safety and Soundness Act requires FHFA to consider the following seven factors in setting the single-family housing goals:

1. National housing needs;

2. Economic, housing, and demographic conditions, including expected market developments;

3. The performance and effort of the Enterprises toward achieving the housing goals under this section in previous years;

4. The ability of the Enterprise to lead the industry in making mortgage credit available;

5. Such other reliable mortgage data as may be available;

6. The size of the purchase money conventional mortgage market, or refinance conventional mortgage market, as applicable, serving each of the types of families described, relative to the size of the overall purchase money mortgage market or the overall refinance mortgage market, respectively; and

7. The need to maintain the sound financial condition of the Enterprises.

NRMLA Comments

In 2011, 25.1 million households were headed by older persons. Of this population, 81% were owners. The median family income of older homeowners was $32,900. In 2011, almost 50% of older owning householders spent more than 43% for housing costs. Approximately 65% of older homeowners in 2011 owned their homes free and clear.[1]

The median income of older persons in 2012 was $27,612 for males and $16,040 for females. Households containing families headed by persons 65+ reported a median income in 2012 of $48,957. About 5% of family households with an elderly householder had incomes less than $15,000 and 67% had incomes of $35,000 or more.[2]

The older population will continue to grow significantly in the future, as the "baby boom" generation begins to reach age 65. The population 65 and over has increased from 35.5 million in 2002 to 43.1 million in 2012 (a 21% increase) and it is projected that, by 2040, there will be about 79.7 million older persons. Persons 65 years of age and older represented 13.7% of the population in the year 2012, but are expected to grow to be 21% of the population by 2040. Persons 85 years of age and older is projected to triple from 5.9 million in 2012 to 14.1 million in 2040.[3]

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[1] Department of Housing and Urban Development, American Housing Survey, National Tables: 2011.

[2] U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement.

[3] U.S. Census Bureau, Population Estimates, Vintage 1980-2012, National Estimates by Age, Sex, Race: 1900-1979 (PE-11) ; 2012 National Population Projections Summary Tables, Table 2. Projections of the Population by Selected Age Groups and Sex for the United States: 2015 to 2060, Middle Series. (NP2012-T2), Released December 2012;

The major sources of income as reported by older persons in 2011 were Social Security (reported by 86% of older persons), income from assets (reported by 52%), private pensions (reported by 27%), government employee pensions (reported by 15%), and earnings (reported by 28%). In 2011, Social Security benefits accounted for 36% of the aggregate income of the older population. The bulk of the remainder consisted of earnings (32%), asset income (11%), and pensions (18%). Social Security constituted 90% or more of the income received by 35% of beneficiaries.[4]

As America ages, and seniors continue to live longer, the shortfall in retirement savings may place a further strain on government programs such as Social Security. The financial planning community has begun to recognize this potential gap or shortfall in retirement savings, and the possible further role that reverse mortgages might play for seniors that choose to utilize them.[5] Reverse mortgages could play a dual role of either reducing seniors housing costs by replacing a "forward" mortgage that requires monthly payments with a reverse mortgage (that allows a senior to remain in the home until certain " maturity" events occur without required monthly payments), or allow a senior to access home equity in the form of a payment stream without incurring the housing costs of a "forward" mortgage monthly payment.

Of the homeowners with home equity that are age eligible for a reverse mortgage, currently, less than 2% have chosen to utilize a reverse mortgage for their personal financial needs. While we feel that a reverse mortgage is not for everyone,[6] we feel strongly that reverse mortgages can play a larger role for more seniors in the future in order to address the housing and financial needs of our nation's seniors.

Further, and importantly, these possible utilizations of reverse mortgages must be juxtaposed against current rules for "forward" mortgage purchase money and refinance lending where borrowers must satisfy an Ability to Repay standard under CFPB rules, and where the Enterprises, and most lenders, will not lend outside of a Qualified Mortgage standard.[7]

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and Table 1. Projected Population by Single Year of Age, Sex, Race, and Hispanic Origin for the United States: 2012 to 2060, Released December 2012.

[4] U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement; and "Income, Poverty, and Health Insurance Coverage in the United States: 2011," P60 245, issued September, 2013. Social Security Administration, "Fast Facts and Figures About Social Security, 2013."

[5] John Salter, CFP®, , AIFA®, Associate Professor, Texas Tech University: *What's the Role of Reverse Mortgages in Providing Sustainable Retirement Income*?; and, *Reversing the Conventional Wisdom: Using Home Equity to Supplement Retirement Income*, Drs. Stephen Sacks and Barry Sacks, (Journal of Financial Planning, February 2012).

[6] For instance, a senior may choose to sell his or her home and relocate. However, research reveals that a substantial majority of seniors wish to "age in place" and remain in their current home. Further, some seniors may choose to utilize other assets, such as savings from stocks, bonds or mutual funds. However, it is understood that most seniors do not have adequate savings for retirement. Further, reverse mortgages are not the only option for accessing home equity without selling the home. Traditional home equity loans and home equity lines of credit (HELOCs) also offer other financing possibilities. However, as discussed below, due to regulatory changes in the "forward" consumer mortgage market effective in January 2014, not all retired seniors can quality for a traditional "forward" mortgage.

[7] Reverse mortgages are not subject to the CFPB's Ability to Repay rule requirements. 12 C.F.R. § 1026.43(a)(3).

We realize that the single-family goals for the Enterprises cover "conventional, conforming mortgages," with the "conventional" component meaning not insured or guaranteed by the Federal Housing Administration or other government agency and the "conforming" component meaning those mortgages with a principal balance that does not exceed the loan limits for Enterprise mortgages. However, as explained below, Fannie Mae not only formerly purchased home equity conversion reverse mortgages (or HECMs) insured by FHA, but it also created and supported its own conventional reverse mortgage program through the offering of the Home Keeper reverse mortgage.

Fannie Mae developed its own proprietary reverse mortgage program, the Home Keeper, in 1996. For seniors, the Home Keeper acted an additional alternative to a FHA-insured HECM loan. However, Fannie Mae discontinued offering the Home Keeper program in 2008.

Further, in April 2009, Fannie Mae, which had been the primary secondary-market purchaser of FHA-insured HECM loans since the program's inception, began reducing its purchases of reverse mortgages, and ultimately discontinued such purchases that year.

In 2007, at its height, the reverse mortgage industry produced approximately 115,000 loans. On a dollar volume, but not unit basis, proprietary or conventional reverse mortgages consisted of over 15% of the market in 2007. In 2008, reverse mortgage loan volume began to decline, and today stands at approximately 55,000 units per year. Almost all of this loan volume is comprised of FHA-insured HECMs. We feel strongly that this decline is due in part to Fannie Mae exiting the reverse mortgage market during the same time frame. Note further that Freddie Mac has never purchased reverse mortgages, nor has it ever offered a reverse mortgage program.

We note further that since 2008, FHA has further strengthened the HECM program to reduce loan proceeds available to the borrower, increase mortgage insurance premiums, tie initial disbursement limits to outstanding borrower obligations (such as a prior mortgage), instituted further protections for non-borrowing spouses, and soon is slated to implement further underwriting guidelines to assess a borrower's ability to handle their financial responsibilities under a HECM loan (including the payment of real estate taxes and homeowner's insurance).[8]

As stated above, the Enterprises have not participated in the reverse mortgage market in almost five years. However, based on our documented description above regarding economic, housing, and demographic conditions, including expected market developments regarding senior housing and retirement needs, as well as regulatory changes in the forward mortgage market, we feel strongly that a renewed role by the Enterprises in the reverse mortgage market would be welcomed, would greatly serve and enhance our national housing needs, and would be economically viable for the Enterprises.

[8] See, for instance, FHA Mortgagee Letters 2013-27, 2013-28, 2013-33, 2014-07 and 2014-11.

Such renewed participation by the Enterprises in the reverse mortgage market could include reinstitution of purchases of FHA-insured HECMs, a reintroduction of an Enterprise proprietary reverse mortgage program (such as the Home Keeper), Enterprise purchases of proprietary reverse mortgages that lenders bring to market, or the purchase of mortgage backed securities in the reverse mortgage structured finance and secondary markets.[9]

Conclusion

NRMLA appreciates FHFA's invitation for comments on its Proposed Enterprise Housing Goals for 2015-20107. NRMLA would support going forward efforts by FHFA to further recognize the important role that housing for seniors plays in our nation's housing markets, and to consider a re-introduction of the role of the Enterprises to further support the senior housing market through the purchase of FHA-insured HECMs, and conventional proprietary reverse mortgages. NRMLA trusts, on behalf of all of its members, that you will consider our comments and act with favor in response to them.

Very truly yours,

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[9] We note that several lenders have or are reported to be planning to reintroduce proprietary reverse mortgages into the market. However, we feel strongly that a renewed interest and participation by the Enterprises would more quickly spur these conventional reverse mortgage market efforts along.