



Final Transcript

HUD: CFPB & Reverse Mortgages – External

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SPEAKERS

Virginia Holman
David Berenbaum
Deborah Royster
Cora Hume
Kate Kramer

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Reverse Mortgage Resources CFPB. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Instructions will be given at that time. [Operator instructions]. As a reminder, this conference is being recorded.

I'd like now to turn the conference over to our host, Ms. Virginia Holman. Please go ahead.

Virginia

Good afternoon and good morning everyone. And thank you for your patience as we get started on this really useful and important webinar on reverse mortgage resources presented by the CFPB. They're going to present some new guides that they have. But before we start, we need to go over some logistics of the webinar.

Next slide. Okay, as the operator said, the audio is being recorded. We will be posting the playback number along with the PowerPoint and a written transcript on HUD Exchange in the webinar archives. And that usually takes about a week. I did send out handouts this morning. Right now they are not available in the control panel. But you do have them. And as I said, they will be posted on HUD Exchange.

Next slide. We want your questions. But because we have so many people on the line at this point—we have about 250—we are not going to take the questions through the phone. But there will be other opportunities to ask questions.

Next slide. In the control panel on the right-hand side of your screen there is a box labeled questions. You just type your question in there. We have

staff that are monitoring those questions. And we will make every effort to get your answer after the webinar is over. You can also submit [ph] questions or comments about this webinar or any other topic to housing.counseling@hud.gov with the webinar topic in the subject line.

If you have logged in to the webinar, you're going to receive a certificate of training that will be sent from GoToWebinar. That usually takes about 48 hours. You'll need to print it out and save it for your records.

And now, let me turn the webinar over to David Berenbaum, the Deputy Assistant Secretary for the Office of Housing Counseling.

David

Hi everyone and thank you for joining us today. As was noted, my name is David Berenbaum, and I'm the Deputy Assistant Secretary for Housing Counseling at the United States Department of Housing and Urban Development.

As a growing number of older Americans are considering reverse mortgages as an option to age-in-place and continue to enjoy their homes, the Office of Housing Counseling is excited to be collaborating with our colleagues at the Consumer Financial Protection Bureau's Office for Older

Americans. To highlight their suite of free, plain language resources to help older Americans understand the basics and ongoing responsibilities of a home equity conversion mortgage or HECM.

The guides include such topics as the mechanics of a reverse mortgage, a borrower's ongoing obligations, how a borrower can address defaults, available relief options after a natural disaster, and where a borrower can seek help. It is our hope that you will find this very useful and that these educational resources will be invaluable in your work as HUD-certified housing counselors who specialize in working with older Americans and their families who are considering a reverse mortgage product.

Our subject matter experts and presenters today include Deborah Royster who serves Assistant Director of the Office for Older Americans at the CFPB. Ms. Royster leads a team of talented, mission-driven professionals to advance the mission of the Office for Older Americans to help protect older consumers across the nation from financial harm and to help consumers make sound financial decisions as they mature. As an attorney, Ms. Royster's professional career includes serving in legal and executive management positions in the private, non-profit, and government sectors focusing on health and aging services as well as other issues.

Our second presenter, Cora Hume, is also an attorney with the Bureau of Consumer Financial Protection's Office for Older Americans. Cora has over 20 years of advocacy and legal experience, including working with the National Association of Consumer Advocates as an elder law staff attorney at Merrill Legal Aid [ph] among other roles. She started her legal career at the United States Department of Housing and Urban Development's Fair Housing, or FHEO division.

Q&A today will be facilitated by Ginger Holman, Jane Charida, Tammy Dunn, and Ben Yanetta from the Office of Housing Counseling. They will be joined by Kate Kramer and Erin Scheithe from the CFPB.

So let's get started. We'll go to the next slide for some core definitions starting with what in fact a reverse mortgage is. A reverse mortgage is the type of loan for elders or seniors that allow homeowners to convert their home equity into a monthly stream of income or a line of credit. The only reverse mortgage insured by the US federal government is the home equity conversion mortgage, or HECM. And it's only available through FHA-approved lenders.

The HECM program guarantees that the lender will meet all payment obligations to the borrower, limits the borrower's loan origination costs, and insures full repayment of the loan balance to the lender up to the maximum claim amount.

Let's move to the next slide. Notably, a HECM loan requires counseling provided by a HECM counselor. HECM counselors are required to pass the national HECM exam sponsored by the Office of Housing Counseling and also be employed by a HUD-approved housing counseling agency.

Today, I'm happy to share with you that over 85% of the HECM-approved counselors are also fully HUD-certified housing counselors.

Congratulations. Both of those tests or exams are very challenging and we're very excited about the success that our HECM counselors are experiencing program-wide. We do expect that all of our counselors will be certified on or before the August 1st date required by statute this year.

And a little bit of history. Since 2018, over 200,000 clients have received HECM counseling from the national roster of HECM counselors. And what's very interesting, if you look at the timeline presented here on this slide, the number of consumers has been increasing over the past four

years. In fiscal year 2020, over 70,000 mature adults, older Americans, were served. And year-to-date for fiscal year '21, close to 20,000 families or consumers have been served.

Now, what I'd like to do is turn things over to Deborah Royster. Let's get started. Deborah?

Deborah

Good afternoon everyone and thank you, David, for the opportunity to join you and your colleagues today. We are very pleased to have this opportunity to collaborate with you on an important and complex housing and financial decision for many older adult consumers today, reverse mortgages.

First, we will begin with a disclaimer. Next slide please. Next slide.

Next slide. Thank you. We can proceed to the next slide now. Okay. So today we're going to cover what is the CFPB, who we are, what we do, the importance of housing decisions in retirement, and what it means to age-in-place. And we will also cover the bureau's reverse mortgage resources.

So first, the CFPB, who we are and what we do. I'm sorry. I'm told that you can't hear me? Okay, so we will talk about the bureau's mission.

Okay. Looks like I'm having some technical problems here. Can you hear me now?

David I can hear you. I'm not sure what the technical difficulty is.

W [Overlapping voices] think that most people can hear you just fine.

Deborah Okay. Okay. I received a message that I couldn't be heard. So I will continue.

So first we'll cover on the bureau's mission. The bureau was created in 2010 with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was drafted in response to the great recessions of 2007 and 2008. The bureau was created to provide a single point of accountability for enforcing federal consumer financial protection laws and protecting consumers in the financial marketplace.

Before that, responsibility was divided among several agencies. Today, it's our primary focus. The bureau creates tools that empower consumers to shop for the financial products and services that work best for them. The bureau enforces federal consumer financial protection laws. We

protect consumers from unfair, deceptive, or abusive practices. And we take action against companies that break the law. Finally, we educate. We arm consumers with the information that they need to make smart financial decisions.

Next slide please. The Office for Older Americans is one of four specialty offices mandated under Dodd-Frank. In addition to the Office for Older Americans, there's an Office of Servicemember Affairs, the Office of Students and Young Consumers, and the Office of Community Affairs.

We have two goals. Our work is informed by two primary goals. We help older adults to protect themselves from financial harm, which could include financial exploitation or common scams and frauds. In addition, we help older consumers find the information that they need to take appropriate action and to make sound financial decisions for later life financial security.

Next slide please. Now, I'm going to turn the program over to Cora Hume who will share information about the bureau's resources for consumers on reverse mortgages. Cora is an attorney, and she is our subject matter

expert on reverse mortgages in the Office for Older Americans. And she is also a fierce and passionate advocate for older adults.

Again, thank you for the opportunity to be with you here today. And now, I will turn the program over to Cora.

David Cora, I believe you may be on mute.

W I believe Cora is trying to reconnect to the audio. It sounds like she might be still dialing in or muted.

David Thank you everyone. We'll be back to the presentation in a moment. Thank you for your patience while we're fixing a little tech issue.

Kate It looks like Cora is on hold with the audio, so if an organizer can just let her in, then I think she'll be able to get going.

Virginia Dan, can you let Cora in, please?

Cora Can you guys hear me now?

Virginia Yes.

David Yes.

Cora Okay, great. I do not know what happened there, so I apologize, but I've switched phones. So, I will get started. Hi, I'm Cora Hume. I'm going to turn on my camera for just a minute, and then I'm going to turn it off again, but it's nice to meet everyone.

I'm going to start talking about why we're talking about reverse mortgages. I'm going to try to put it in the context of older homeowners and what we're looking at in terms of the marketplace.

Next slide, please. Thanks for your patience, everyone. So, we're talking today about older homeowners, and as you can see from this slide, eight in ten consumers who are 65 years or older own their homes, so we're talking about our parents, we're talking about our grandparents, aunts, and uncles, people who live in our neighborhood. Really the question is what people do as they age with their homes. It's a financial decision, it's an emotional decision, and it's a physical decision whether they can stay in their home as they age.

Next slide, please. Homeownership is really important for a lot of people because it's their largest asset. As this slide reflects, in 2019, homeownership accounted for over 20% of all the assets held by consumers age 65 and older, and as you can see it's twice as much as the next saving level of IRAs. So, this is a lot of money we're talking about, \$9 trillion in housing wealth here, so again, a really important asset for a lot of homeowners in the United States.

Next slide. As many of you know, housing costs are also one of the largest expenses for older homeowners. The first bullet really highlights that the housing costs that people experience don't change over time. You still have to upkeep your home, you still have to pay your taxes and insurance, and so those costs would probably be easier to handle when we're earning income. Once we hit retirement, those costs can become more burdensome on a fixed income.

The second bullet talks about in 2019 almost a quarter of older homeowners spent more than 30% of their income on housing. That's noteworthy. That's over a quarter of their income spent on costs relating to housing, and in 2019 as well 37.1% of homeowners age 65 and older

had mortgages. So, again, that's a change from earlier years where in retirement a lot of people had their mortgages paid off. We're now again talking about a population of over a quarter still have to pay a mortgage in their retirement years.

Next slide. For older homeowners also, the home is a lifeline. We're seeing today with the baby boomers they don't have defined benefit plans, and there might be a savings gap that they are falling short on their retirement costs. So, older homeowners are relying on the home equity to fill that gap. Again, another really important consideration for older homeowners.

Next slide. This talks about how housing satisfaction plays into financial well-being. We're defining financial well-being here as the means by which people can meet their ongoing financial obligations, they're able to absorb financial shock, and they're also able to enjoy their lives, go out to dinner when they want, buy a gift when they want without putting their monthly finances at risk. That's how we're defining financial well-being.

As this chart reflects that there's a statistically significant gap of about 10 points in the average financial well-being score between older adults with

low housing costs and those with medium to high income costs. As you can see here, the medium to high income costs we're defining as 30% or more of their income. Again, you also see a point difference between those that are satisfied with their housing situations and those that are less satisfied.

So, again and not surprisingly, the people who have a higher financial well-being scale are able to spend what they want, have a lower house cost burden, and are more satisfied with their housing situation.

Next slide. Older homeowners when surveyed by AARP, most of them said that they wanted to age in place. They wanted to stay in their home. Nearly 90% of people age 65 or older wanted to stay in their home for as long as possible, and 80% believe that they would stay in their residence for their rest of their lives.

So, the question is if these people can afford to stay in their home despite their emotional desire to stay in the home. We have to think about a declining health. How are they going to pay for long-term care? Is it going to be self-financed? Is it going to be covered by long-term

insurance? Is some family member going to provide the assistance that an older homeowner may need as they grow older?

So, this is clearly a really complicated issue with significant financial implications, not just emotional, and now in the time of COVID it's become even more complicated. Older homeowners are more wary of congregate care like nursing homes and assisted livings because those areas were hit really hard by the COVID crisis. We've seen the older population being hit hardest again by COVID deaths, and so we're seeing now widows and widowers now having to navigate housing decisions on their own.

We have also instances where before the pandemic family members might have been contributing to help pay for the home costs whether that was a mortgage or keeping up the repairs, and family members have become unemployed or underemployed and may no longer be able to support their older homeowner family member in keeping up the home.

Then, we're also seeing multigenerational living where any kind of foreclosure would displace not only the older homeowner but possibly

multigenerations that are now forced to live together due to the economic strain caused by the pandemic.

So, that leads us into the next slide about reverse mortgages. Why are we talking about reverse mortgages? Reverse mortgages, as many of you know, is marketed as a way for older homeowners to age in place, to stay in their home, to afford the cost of living in their home. We've seen here in our complaints that are filed with the Consumer Financial Protection Bureau that many older homeowners who have reverse mortgages don't understand what the product is and that it's a loan. So, we've created a host of resources to help older homeowners navigate this complicated product.

Next slide. We have two types of reverse mortgage resources. We have the pre-origination resources. I'm going to go into each one of these individually, but we have pre-origination that talks to older homeowners who are considering a reverse mortgage. It tells them how they work, how expensive they are, what kind of responsibilities they have once they take out the loan, and then we have the post-origination resources. Those are for reverse mortgage borrowers who already have the loan. What do they

need to know now that they have the loan so that they can stay out of default and maintain the loan?

Next slide. The first resource that I wanted to highlight, and I was originally going to share this video, but unfortunately the sound doesn't come through, so I'm not going to show it today, but it's a two-minute video, and here's the YouTube link underneath the picture.

We created this video in 2017. It's two minutes, and it explains in a nutshell what a reverse mortgage is. Originally, we hoped that it could be shared with consumers whether it's via an email. I used to be a legal aid attorney. I would have put it on repeat in my waiting room so people could view it. If you're visiting clients, you can pull it up on your phone. It's a really great way just to introduce the topic without getting into really the nitty-gritty of a reverse mortgage.

So, I highly recommend, and we can send around the video link again, watching this video, but I think it's a really great resource to sort of break the ice and talk about reverse mortgages.

Next slide, please. Then we have a short plain language guide called Considering the Reverse Mortgage, and this was released in 2014. It's two pages, so it's much like the video. It's very high level. It really talks about the basics, so as a legal aid attorney, I probably would have shown the video, and when they left my office, I would have given this as something that they can really just learn the very basics of what a reverse mortgage is before they really further pursue a reverse mortgage.

So, great for family members, great for community members, great for community events, and it will give the people the basics of what they need to know.

Next slide. So, the Reverse Mortgage Discussion Guide is a much more in-depth guide, so this was released by the CFPB in 2017. It's intended to be more in-depth. It was a tool that was originally created for housing counselors.

We envisioned that this would be a guide that housing counselors could go through page-by-page with an interested homeowner, and it would often be—definitely during this time when you can't be in the same room with someone—it could be looked at by the housing counselor and the older

homeowner, and it could be a guide to help walk through some of the stickier facets of a reverse mortgage.

We hoped that this could be a supplement to the HUD protocols in terms of a pre-meeting or a follow-up tool that really gives the consumers facts about reverse mortgages.

Next slide. As you can see, this is a graphic from the Reverse Mortgage Discussion Guide. We didn't just do text. We decided that for complicated products, people learn differently, so we have graphics to help explain the words that we have in the guide as well.

Next slide. We also have alerts in this guide. This is another picture taken from the discussion guide. As I had mentioned, we have learned through complaints that older consumers really don't understand or don't fully conceptualize that a reverse mortgage is a loan, so we really want to call out their attention before they take out a loan that this is how it works. It's borrowed money plus interest plus fees equal the rising loan balance each month. So, throughout the guide we have alerts where we want to call out areas that we know are pain points for older homeowners.

Next slide. This is our newest guide. This is called for short, “The Rights and Responsibilities Guide.” We just released this this past March, March 2021. It took over two years to make. We worked with HUD on it, so it was a collaborative effort. Legal services attorneys that we have talked to said that this would be a really helpful guide for those who already have a reverse mortgage. It explains what the ongoing obligations of the loan are, and let me just go to the next slide, and I can show you the index.

So, we have—I don’t know if you can see on this slide the index, but it goes into how our borrower may pay off a loan, what happens after the borrower moves out of the home or dies, what the heirs need to know, and where they can get help.

Next slide. So, here’s a graphic or a picture from the guide. As you can see, we talk about the requirements of the ongoing responsibilities of a reverse mortgage, so here we’re talking about property charges that the consumer has to pay including taxes and insurance as well as some other ones like flood insurance and ground rent, condo fees, HOA fees.

So, we really break it down into the three main requirements of the HECM loan: occupancy, paying property charges on time, as well as keeping the

home in good repair. So, that's discussed at length, and as you can see, there's also a warning, so we call out areas where we really want the homeowner to focus on.

Next slide. Through our testing of the Reverse Mortgage Discussion Guide we learned that older homeowners really would like a glossary of commonly used terms. Many of us use those terms as second nature, but for most people these are not words that they use in their daily lives, so we created a glossary of commonly used terms that can be used outside of the Rights and Responsibilities Guide, it can be printed out separately, and it has more terms in it than what's used in the Rights and Responsibilities Guide.

So, again, I think this glossary would be a really great resource, so that way, older homeowners can understand what notices are saying to them and what they mean.

Next slide. This guide is another resource that we created after talking to legal services attorneys. I was at a conference after Hurricane Maria, and there were legal services attorneys from Puerto Rico really called out what happens to a reverse mortgage after a natural disaster. There are a fair

amount of reverse mortgage borrowers in Puerto Rico, and the question was what happens to their ongoing responsibilities after a natural disaster.

For example, what happens with home repair if your home has been damaged by a storm? Are you in violation of your loan? So, this really walks through what older homeowners need to know after a natural disaster and where to get help.

Next slide. We also now have a webpage that we worked on with—it's a collaborative effort with HUD and the VA and the FDA and CFPB on COVID. So, we have, as you can see on the far left, it might be small, but the last blue bullet says Information for Reverse Mortgage Borrowers, and so we have seen or heard anecdotally actually that there's a strong correlation possibly between property charge default and COVID.

So, there are unique aspects to the COVID relief options for reverse mortgage borrowers that are different than for forward borrowers. So, this really—the section on reverse mortgages talks about the extension of timeline that aren't just for the borrowers but also for the heirs, and so forbearance doesn't really apply because there's no monthly payments, so there's different relief for reverse mortgage borrowers. This is a unique

website that really talks about what a reverse mortgage borrower needs to know in the time of COVID and what kind of relief they can get at the present time. We keep this updated as it develops.

Next slide. We also have at the CFPB a whole landing page just on reverse mortgages. So, all the resources that I just touched on are at this consumerfinance.gov/reversemortgage. You can find all the resources here. You can download any of these guides I just talked about, and then there's also an order link there that you can order any of these resources in bulk, so if you wanted to send it to your clients, they're all for free. They're in Spanish, they're in plain language.

The website itself is another great resource. You can see it has the video on it, it has some Q&As on it, and it also has some key terms on it. So, as you're emailing a client who's interested in a reverse mortgage, this is a great place for them to begin as well.

Next slide. Then, I just wanted to touch on how you can reach us. So, you can see our inbox. You can always email any questions you have for us, but we also have the reverse mortgage website that I just discussed.

Then, we also have complaints. So, the CFPB takes complaints. If you are having issues with financial institutions on behalf of your client or yourself, you can always file a complaint with us. We would then forward it on to the financial institution who usually responds within 16 days.

So, as a housing counselor, I know that you work with homeowners who are having problems. If you can't get a response from a lender or a servicer, this is a good way to get a response in writing from these financial institutions.

One thing to note though, if you are filing on behalf of your client, you need to submit an authorization that you are representing the client so that way the company can respond. Otherwise, they'll say, "We don't know who you are, and we can't disclose anything to you." So, again, if you are filing on behalf of a client, please remember to file with the complaint an authorization reflecting your representation.

Lastly, the last bullet here is about the Ask CFPB. This is a library of Q&As that the bureau has put together. There are about 27 Q&As on reverse mortgages, so if you go to the Ask CFPB, you can type in reverse,

and all those questions will drop down. You can read those, too, and those are another great resource for clients.

That's our resources in a nutshell. I'm happy to take questions if anyone has any. You can also feel free to email our inbox, but I just want to take a pause here before turning it back to HUD to see if anyone had any questions.

Kate Cora, we do have a few questions. So, the first question is, "What if there are no heirs? Does the debt get passed to the family?"

Cora No, it doesn't. So, as David had mentioned, FHA insures these loans. The debt gets paid off. The home gets sold. Any difference between the sale of the home and the amount owed is covered by FHA. So, that's why HECMs are so unique and a trusted—the consumer will never owe more—there won't be a default-type judgment.

Kate Another question is, "What are some of the biggest problems you see with reverse mortgages?"

Cora

That's a good question. So, for those complaints that we're seeing, we see people not understanding the product. It is a really complicated product, so people not understanding it's a loan, people not understanding that the home can't go to their heirs often because they have to sell the home to pay off the loan. So, if they want to leave the home to heirs it really doesn't make sense often to take out a reverse mortgage unless the heirs will have money to pay off the loan.

We see issues with property charges. We're going to see that more and more. A lot of older consumers don't have the money to pay property charges. HUD had a fix to that, depending on when the loan was originated. There's now a set-aside where when the loan is originated, the consumer is evaluated for future property charges, homeowner's insurance, and property taxes, but if the loan was originated before that change, some homeowners aren't able to pay, and then the servicer has to put forth the money, and there's a repayment plan.

The loss mitigation for reverse mortgages is very different. It's basically not obligated on behalf of the servicers, so we see a lot of complaints regarding loss mitigation.

What we want to do is really educate consumers so they understand the product before they take it out, and they understand their ongoing obligations, so that way we try to avoid a situation of default.

Kate Cora, we had someone ask the opposite question. “What are the greatest benefits of a reverse mortgage?”

Cora Reverse mortgages makes sense for some people. When I was a legal aid attorney, I used reverse mortgages with my clients to save their home from foreclosure, and they had enough equity in their home. So, my personal opinion is, and what I just mentioned is, it’s most important to me that people understand the financial product before they enter it. If they understand the growing loan amount over time and that their equity decreases over time that might make sense to them.

For some older homeowners, getting rid of the monthly payment makes a huge difference, and maybe that’s all they get. After taking out a reverse mortgage, their equity might be just enough to get rid of their monthly payment, but they might not get a line of credit or a lump sum payment.

It's a big relief for those of us who have to pay a mortgage not to think about paying a mortgage on a monthly basis, so that really does open up some funds for older homeowners who might be tight with retirement.

Kate Thank you. So, there are a couple of different questions about fees, and one of the questions is, "What are some of the typical fees that are added to a reverse mortgage, and what can lenders charge essentially?"

Cora Great question. I would also just refer you to our Reverse Mortgage Discussion Guide because we talk about the cost of reverse mortgages. They're not cheap.

So, we have the same origination costs as forward mortgages, and then there's an insurance that you have to pay into, a homeowner's insurance. So, there's an origination you have to pay 2% for homeowner's insurance that goes to FHA to insure the loan, and then there's a half a percentage point for ongoing insurance costs.

So, there is that, and then it's compounding. So, each month the fees and the loan amount is added, so it compounds over time. There's a great

graphic in the discussion guide that sort of lays this out nicely about what compounding means, so again, it's growing over time.

It is expensive. The more you borrow up front, the more it will compound, so one thing that older homeowners might consider is a line of credit with a reverse mortgage because then it's only compounding when they use the money. While it's sitting in a line of credit, it's not growing.

Kate Thank you, Cora. The questions are coming fast and furious, so thank you for sharing extra time to answer some of them. "What is the best way to help a homeowner who is in default with their reverse mortgage and facing foreclosure?"

Cora Another great question. You know, there's default counseling. I think you—it depends on why they're in default. There's occupancy issues in terms of default. The older homeowner who has a reverse mortgage has to make a yearly statement, sign a yearly certification that they're in the home. Sometimes the servicer mistakenly says they're out of the home, and the older homeowner is like, "What are you talking about? I'm here."

So, those are easy ones to clear up. It's the payment of taxes and insurance by the servicer that really gets more complicated, and there can be a payment plan. It's not required of the servicer to offer a payment plan. If there's legal issues, I would try to get your clients a legal services attorney to get legal advice of what they can do. Hopefully, servicers are open to repayment plans.

I would also say as a housing counselor, look to resources in your community. For example, say an older homeowner knows that they won't be able to pay their taxes. There are often programs in the community, as I'm sure a lot of you know, to help pay taxes. Maybe it's a one-time type infusion of funds. If that avoids default, that would be great. If it's a matter of budgeting, and the person doesn't have a set-aside with their reverse mortgage to pay these fees, then you'd even want to get them into some financial counseling.

I think the reality is sometimes the home might not make sense for them. The average length of a reverse mortgage is about seven and a half years, so one thing that you want to think about in terms of advising consumers is if there are alternatives to reverse mortgages. I know that doesn't answer your question about default, but before they get into it, maybe a

reverse mortgage doesn't make sense. Maybe downsizing to a home that's smaller and more affordable makes more sense.

It depends on why they're going to get a reverse mortgage and what they're goals are, but for default, we have a lot of information on that on our website. I touched on a bit of it, and I'm happy if you still have questions about it after looking at our resources, I'm happy to talk to you individually.

Kate We had a couple questions about how the principal limit is calculated and how much equity a homeowner can take out in a reverse mortgage.

Cora That's going to be a case-by-case basis. It takes into account interest rate, age of the borrower or the younger spouse, and the value of the home, so I can't really answer that. That's a tough one because it's really going to be an individual-type answer.

Kate Thank you. This question asks, "Is the non-borrowing spouse allowed to live in the home if the borrower dies or is in a nursing/health facility?"

Cora

You'd think that would be a straightforward answer, but it's a little complicated because it depends on when their reverse mortgage was taken out. So, we have an Ask CFPB question on that, and it's also in both of our guides because it is so complicated. The short answer is it depends.

So, it depends on when the loan was taken out and whether the non-borrowing spouse can provide the information that HUD requires to become an eligible non-borrowing spouse. So, there are different requirements that HUD has based on when the loan was taken out.

I would encourage you to look at our resources on that and see if the answer changes. It is an issue with reverse mortgages that if the reverse mortgage borrower dies what happens to the spouse living in the home. If the reverse mortgage borrower gets married after taking out a reverse mortgage, the non-borrowing spouse can't stay in the home. So, the reverse mortgage borrower has to be married to their spouse at the time the reverse mortgage was taken out.

For same-sex marriages, that's when it was legally—if they took out the reverse mortgage before the federal government recognized marriages, then it's the date of when the federal government recognized that.

So, there's a lot of issues with non-borrowing spouses. We see a ton of complaints about that. It's a complicated issue.

Kate I just want to check in and see if we have time for more questions or not.

Virginia I think we could answer a couple more.

Cora Just to say though that a lot of these answers are in our guide. We took a complicated product, and you can see why it's so confusing. In our guides, we've put the states, we put the information if you need around regulatory reference, I'm happy to give you those, but a lot of this is just broken down in our Ask CFPB questions, and all the guides that I talked about help navigate this space.

Virginia We do have time for a few more questions.

Kate Okay, so this is a strategy question that you may have some insight on. "How would a family member handle a servicer who is difficult to work with to pursue payoff and extensions of time to pay a loan off?"

Cora

So, one strategy would be to file a complaint with the CFPB so you'd get answer. We see those kind of complaints all the time. I can't reach the servicer. They're not responding. So, that's one strategy I would say.

If you can enlist a legal services attorney, that often puts a little heat on the servicer to respond. There are timelines though dictated by HUD in terms of what the heir has to do, whether to pay off the loan or to sell the loan. All these timelines, again, are extended at this point under the CARES Act and subsequent guidance from HUD, but I would say being aware of those timelines, putting everything in writing, and sending it certified mail so you have documentation that you're communicating with the servicer, or a family member is communicating with a servicer. I would say if you're communicating with a servicer, again, make sure that you are making clear that you're representing the family member.

I think those would be my top strategies: legal services, filing a complaint with the CFPB, putting everything in writing via certified mail so you have a paper trail would be my top-three recommendations.

Kate

Thanks, Cora. We have so many questions that I wish we could get to them all. Let's see. One question is—

Cora Just to add one more thing—sorry, Kate. One more thing to add on the family members. So, what might be happening is that when the borrower dies, the servicer doesn't know that they can communicate with what we call a successor in interest, the person who steps in the shoes of the borrower. So, the servicer may have requirements, or will have requirements, where the heir or the non-borrowing spouse needs to say, "You can communicate with me." They have on their website an address that you have to send your request to saying, "Look, I'm the successor in interest. Please tell me what the payoff amount is," or something like that.

So, also just to look into the successor in interest aspect. This should be designated under our regs under RESPA where the heir or the non-borrowing spouse, the successor in interest can inquire to get information about the loan. So, look for that as well.

Sorry, go ahead, Kate.

Kate Do we have time for one more question?

Cora Sure. We have six minutes.

Kate Perfect. Thank you. So, we have a couple questions around, there's one, "Does the website discuss COVID assistance for owners who have a HECM?"

Cora Yes.

Kate Great.

Cora The website, we call it the Housing Hub, and again, it's a joint federal website, so it's not just CFPB. It's HUD, it's the VA. There's a ton of information on there for forward and reverse mortgages that we keep up to date as things change, so anything you're looking on regarding housing relief and COVID will be on that website.

Kate "If a borrower's property has not been paying the property taxes, and there's a large amount of equity in the home, can the borrower refinance to pay off that past due property tax?"

Cora Yes, they can refinance. Again, you're going to incur all the origination costs again, and it is a question of whether there is going to be enough

equity. That's a lucky homeowner if there's still enough equity to do that. That's great, but it is going to be costly, and then you still have the underlying issue of why has a consumer for X amount of time not been able to pay property taxes. Are they going to be in the same place again a year or two down the road?

So, refinancing to pay off that amount might not make sense. It might. They might be able—another alternative, they sell the home, they pay off the reverse mortgage, and they get the difference of anything that's over the amount they owe. They can use that money from the remaining equity to do something else.

So, I would be concerned about what happens to that older homeowner if they can't rectify the underlying problem, I would say, but yes, they can refinance a reverse mortgage into another reverse mortgage. It's expensive, but yes, you can do it.

Kate

One person mentioned that they're seeing lenders offering reverse mortgages that are not FHA HECMs and was wondering if you could share any information about those.

Cora

Sure. This would be the last question. We call this proprietary reverse mortgages. They're generally jumbo loans. They're for homes that have a ton of equity in it, and they're high-priced homes. The bureau and HUD are both monitoring proprietary loans. It's still a very small slice of a small market in and of itself, and often those proprietary loans have similar requirements to HUD, but they're not going to have that FHA insurance.

So, for example, there is an age requirement, but some of them are going younger, so some of them are for 60-year-olds which has some concerns because if you drain your equity at 60, in all likelihood, 20 years when you're 80 you don't have that equity to fall back on.

There are some type of hybrid proprietary loans. Financial institutions are really trying to think about using equity as a lifeline for these baby boomers. So, I think we'll see more and more of those loans, but right now, we're just monitoring the situation, and they don't fall within HUD's regs.

So, thank you for all your great questions. Please take a look at the resources. I think a lot of these questions could be answered through the

Reverse Mortgage Discussion Guide, the Reverse Mortgage Rights and Responsibilities Guide, as well as Ask CFPB, but if you have any other questions, you can reach out to both HUD and to us, and we'll try to navigate you to the right place.

I'm going to pass it back over to HUD now.

Virginia

Next slide. As I mentioned before, the webinar materials are going to be posted on HUD Exchange in the webinar archives, and you'll be able to find it by date or topic. Another really nice thing about our archives is, of course, all of our webinars over the last several years are there that you can find and review. If you want to, you can select one of those older webinars, watch it, and then click Get Credit. The credit for that webinar will go into your HUD Exchange transcript.

Next slide. Just to emphasize that we do a lot of training, and visit our Training Digest, again, on HUD Exchange on a regular basis.

I know that we still have a lot of questions left. We will pass them on both to CFPB and to the OHC HECM staff to get answers to those questions. You can also, again, go to HUD Exchange, and there's links to frequently

asked questions on all sorts of topics. You'll get answers to a lot of those questions, but if you still have something that's critical, please send your question to housing.counseling@hud.gov, and put the topic in the subject line. We'll get it to the right person.

Just before you go, if you would just, again in that question box, give us a little bit of feedback. Was this webinar useful to you, to your clients? Are you going to share the information? Any other comments. We'll leave that box open for a little bit.

Again, here are links, hudexchange.info/counseling. That's where you'll find all sorts of information including a whole lot of details on HECMs. Again, the housing.counseling and our regular quarterly newsletter, The Bridge. That link takes you to where you can sign up for it.

Again, I want to thank Cora and Deborah and David and all our question answerers for all their hard work on this. Hopefully, you all learned a lot. Again, you'll be able to view it in about a week.

Again, thank you, and I think we're done for the day.

Moderator

That does conclude our conference for today. Thank you for your participation and for using AT&T Conferencing Service. You may now disconnect.