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To the Editor
Time.com

In re: Six Problems the Consumer Financial Protection Bureau Should Tackle First By Stephen Gandel

As the president of National Reverse Mortgage Lenders Association, I take issue with your July 6 reporting on the financial reform act, as it pertains to the industry I represent.

First I note that the members of my group, who make about 90% of the reverse mortgages in this country, supported Congress' decision to place oversight of these vital loan vehicles under the purview of the Consumer Financial Protection Bureau.

This is a fact that Mr. Gandel failed to make clear in his article, but that's not my main dispute with the piece. Rather, my problem is with a series of assertions he makes about reverse mortgages that are unsupported by the facts. In some cases, he makes claims about reverse mortgages that are patently untrue. I will address these inaccuracies in order.

Mr. Gandel says early in his article that "fees on reverse mortgages often run three times as high as those for traditional mortgages." This is simply not the case. Indeed, had Mr. Gandel done his research he would have seen that several leading publications have recently reported the facts – that many large reverse mortgage lenders sharply reduced fees, even eliminated, in some cases standard fees found on mortgage products, such as origination fees. In fact in virtually all cases, reverse mortgages, backed and insured by the federal government, have a fee structure comparable to a standard FHA loan. These fees are limited by Congress and most lenders today are charging considerably less than the federally allowed maximum. Additionally, lenders, in many cases are now also paying the mortgage insurance premium to HUD and other closing costs, as well.

Further in the article, Mr. Gandel goes on to assert – with no facts to back him up – that "in practice, banks and brokers often abuse reverse mortgages." I would challenge him to prove this – indeed, our trade group has polled attorneys general and banking supervisors across the country and has found no evidence that reverse mortgage borrowers face serial abuse from banks. Indeed, just this week, the Arizona Financial Fraud Task Force reported that of the 485 arrests and 191 civil enforcement actions it currently has pending in that retiree-heavy state, not a single one involves a reverse mortgage.

I realize Mr. Gandel is a columnist and therefore is allowed to provide a measure of analysis in his reporting, but that doesn't justify his making broad-brush, negative assertions about the industry I represent without providing at least some evidence to back his claims. That was the case later in the July 6 online piece when he baldly claimed that reverse mortgage brokers often hoodwink borrowers into "taking the proceeds of their reverse mortgage as a onetime, upfront payout," thereby increasing bank profits. I just can't let this claim fly by without taking issue: in fact, reverse mortgages are the only loan vehicle that requires lenders to put borrowers through an up-front, federally-mandated counseling session. As part of this counseling, borrowers are told, explicitly, that they can take loan payouts any way they please. Cases in which the funds are drawn down entirely upfront are typically due to the need to pay-off an existing mortgage balance and other indebtedness.

Mr. Gandel makes the same assertion regarding so-called "cross-selling" of financial products, asserting that "many" reverse mortgage loan recipients are sold variable annuities in an effort by banks to pump fees.

I realize bank-bashing is in the vogue but can Mr. Gandel justify this serious claim? Several years back there were a handful of cases of improper variable annuity cross sales but we haven't heard of any recently. In fact, over the past couple of years, HUD, Congress, state legislatures and NRMLA have created safeguards and firewalls to protect seniors from inappropriate cross-selling of financial products.

In a sense, I sympathize with Mr. Gandel: the poorly named reverse mortgage, available only to older homeowners, is an oft-misunderstood financial instrument. I blame this in part on the name, which can be somewhat confusing.

But as a popular and experienced financial reporter, it would behoove Mr. Gandel to at least attempt to grasp the basics: Reverse mortgages don't mean that the buyer of the mortgaged home is the bank, that the bank takes the value of the house, minus the cost of the loan in return for the mortgage or that taking out such a mortgage gives the bank the right to sell the property when the owner moves on or passes away. No, the loan is a lien, the survivors are given a period of up to a year to settle the loan any way they choose and the size of the loan is regulated by the federal government – after taking into account such variables as the age of the borrower, the value of the property and the prevailing interest rate.

Not to pluck the heartstrings too hard but the fact is that reverse mortgages are often the only way seniors can capture the value of their assets at a time when the stock market and the housing market are both in a deep swoon. I'm not sure why Mr. Gandel is so opposed to them but I do expect him to stick to the facts when he launches a blanket attack.

Sincerely,

Peter Bell
President
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