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Regulations Division
Office of General Counsel
Department of Housing and Urban
Development
451 Seventh Street, SW, Room 10276
Washington, DC 20410-0500

**Re: Adjustable Rate Mortgages – Additional Index - Proposed Rule
Docket No. FR-4969-P-01; HUD-2006-0176**

Dear Sir or Madam:

The National Reverse Mortgage Lenders Association (“NRMLA”) writes regarding the Department of Housing and Urban Development’s proposed amendments to the rules governing adjustable rate mortgages (“ARMs”), 24 C.F.R. § 203.49, (“Proposed ARMs Rule”).¹

NRMLA is the principal nationwide trade association for financial services companies that originate, service, and invest in reverse mortgages. NRMLA was founded to enhance the professionalism of those engaged in reverse mortgage lending, and NRMLA is dedicated to assuring quality and integrity in reverse mortgage lending. Over 80% of the reverse mortgages originated and purchased in the United States today are originated by NRMLA members, and over 85% of the reverse mortgages originated in the United States at this time are home equity conversion mortgage (“HECM”) loans insured by the Federal Housing Administration.

This Proposed Rule would amend HUD’s regulations at 24 C.F.R. § 203.49(b) to add the one-year London Interbank Offered Rate (“LIBOR”) as an acceptable index for the rate of HUD-insured ARM loans, in addition to the U.S. treasury index that is used now. This Proposed Rule would not cover Home Equity Conversion Mortgage loans governed by 24 C.F.R. § 206.1 *et seq.*

Respectfully, for the reasons outlined below, we request that the Proposed Rule be revised so that the LIBOR rate also be allowed with the HUD HECM program, governed under 24 C.F.R. Part 206. Specifically, we request that allowable interest rates for HECMs additionally include rates based on the LIBOR index, and thus the reference in 24 C.F.R. § 206.21 to 24 C.F.R. § 203.49 be amended to include a cross-reference to LIBOR in addition to the existing reference to the U.S. Treasury rate.

¹ 71 Fed. Reg. 35370 (June 19, 2006).

For the same reasons that adding the LIBOR rate would benefit “forward” FHA-insured ARM programs, as stated in your advanced notice of proposed rulemaking (“ANPR”) with respect to “forward” ARM loans, adding the LIBOR rate as an option would equally benefit reverse mortgages under the HUD HECM program. Specifically, as stated in your ANPR:

- “LIBOR loans have become very popular in the secondary market, and this greater liquidity allows lenders to offer lower margins to borrowers.”
- “The LIBOR rate and the Treasury one-year constant maturity index have historically tracked each other closely over time. While the LIBOR rate may often be slightly higher, the better margins available for LIBOR-indexed loans often make LIBOR-based loans a better deal for consumers.”
- “ ... as LIBOR loans become more popular, it is necessary for HUD to offer a LIBOR option to remain competitive in the secondary market.”

Moreover, we respectfully request that the introductory language in 24 C.F.R. § 203.49, which references the applicable sections of the National Housing Act (“NHA”) that authorize the “forward” ARM programs, be amended to include a reference to Section 255 of the NHA, which is the authorizing legislation for the HUD HECM program. The Proposed Rule does not currently include a reference to Section 255 of the NHA. Adding such a reference would be appropriate if the LIBOR rate were to be allowed as an alternative index in connection with reverse mortgages under the HUD HECM program, which we believe is essential for the continued success of the program.

NRMLA appreciates the opportunity to comment on the proposed amendments.

Regards,
Peter Bell, President