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January 15, 2008

Alexandra Wallace, Executive Producer  
NBC Nightly News  
30 Rockefeller Plaza  
New York, NY 10112

Dear Ms. Wallace:

I am writing to voice my concern about a report on Reverse Mortgages that was aired on the NBC Nightly News with Brian Williams, last Thursday, January 10<sup>th</sup>.

The segment was misleading, incorporating a tone that would leave viewers with a strong impression there are rampant problems in the reverse mortgage industry, that many consumers "don't know what they are getting into" and that they are being hurt as a result. This could not be farther from the truth.

First of all, a large majority of lenders offering reverse mortgages do not participate in the sale of annuities or condone or endorse the sale of annuities or other financial and investment products. In fact, as standard practice, and as required under federal law for the HECM program, reverse mortgage lenders inform borrowers that the money from a reverse mortgage is theirs to use as they like and they are under no obligation whatsoever to purchase any other product as a condition of obtaining the reverse mortgage.

If a customer does indeed indicate to a reverse mortgage lender that he or she intends to purchase an annuity with the proceeds of the loan, information on that annuity purchase must be reflected in the Total Annual Loan Cost (TALC) disclosure required for all reverse mortgages under regulations by the Federal Reserve Board that is signed and acknowledged by the borrower. To make sure that they do not run afoul of this requirement, lenders typically inquire whether or not an annuity purchase is anticipated.

Lenders also do not disburse loan proceeds for other financial or insurance products as part of the closing, disbursing all available funds only directly to the borrower. When a borrower indicates that loan proceeds are not being used to purchase an annuity (as is usually the case), borrowers are asked to sign a form indicating that. I believe, in the case presented on your broadcast, the borrower, Mrs. Munoz, did actually sign such a statement.



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Secondly, every individual considering a reverse mortgage must participate in a one-on-one reverse mortgage counseling session before the lender can actually proceed with processing a loan application. The counseling is provided by independent third-party professional counselors employed by HUD-approved nonprofit counseling agencies. Many of the counselors have been trained by AARP and are obligated to adhere to a counseling protocol developed by AARP and other stakeholders, and adopted by HUD. This is required by law under the FHA-insured Home Equity Conversion Mortgage (HECM) Program, and is done as an industry best practice for all other reverse mortgage products available today. At the conclusion of the counseling, the borrower, along with the counselor, sign a counseling certificate to attest to the fact that this independent counseling has taken place. Lenders do not participate in the counseling session.

Third, the broadcast quoted Ms. Robin Talbert, president of the AARP Foundation stating, “you don’t want to outlive that equity in your home.” Her comment was followed by Tom Costello continuing on by stating, “because the bank could then take your home.”

These are highly misleading statements and have scared prospective borrowers away from reverse mortgages according to reports I’ve received of cancellation of applications since your broadcast.

Under a reverse mortgage, the borrower has the right to remain in the home as long as is desired, even after all the funds available have been drawn down, and even if the balance due on the loan grows to be greater than the value of the home. In fact, if the balance grows to be greater than the value of the home, the homeowner would never have to repay more than the home’s value. This is referred to as a “non-recourse” feature and is common to all reverse mortgages. Additionally, under the FHA-insured Home Equity Conversion Mortgage (HECM), if a borrower chooses to receive the funds available as Monthly Life Tenure Payments, those fixed monthly payments would continue to flow as long as the borrower remains in the home – even if the balance due at the end will exceed the value of the home.

Fourth, in the report, Mr. Costello comment that the “upfront costs can be steep; \$12,000 for Mrs. Munoz.”

Please understand, approximately one-half of that amount in the case of Mrs. Munoz, was a Mortgage Insurance Premium paid to HUD for the FHA insurance on the reverse mortgage. Furthermore, all fees paid by HECM borrowers are regulated by HUD.

The FHA mortgage insurance serves two purposes. From the borrower’s perspective, it guarantees that no matter what might happen to the lender, the borrower will receive their money, directly from the U.S. Government, if necessary. From the lender’s perspective, the FHA insurance guarantees that if the balance due exceeds the value of the home at loan termination, FHA will cover all or part of the shortfall to the lender. It is because of this feature that lenders are able to offer a larger percentage of equity on HECM reverse mortgages than on other non-



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insured reverse mortgages. It is this feature that allows lenders to continue to advance funds even after the loan balance exceeds the value of the home. It is also this feature that effectively enables lower interest rates to be charged on HECMs than on other reverse mortgages.

Fifth, the broadcast gave the false impression that the loan sales agent sold Mrs. Munoz long-term investment annuities. That was not the case for Mrs. Munoz and this misleading implication has the effect, in the mind of a viewer, of unfairly tying the reverse mortgage transaction with the later insurance transaction. The later insurance sale was conducted by a party completely unrelated to the reverse mortgage broker or lender and that party was subject to its own state licensing laws and other professional standards.

At one point the piece referred to a 20% penalty on withdrawal of funds. This, of course, applies to the annuity and not the reverse mortgage, which are two separate transactions. That point was not clear. The incidence of annuity purchases with reverse mortgages is fairly limited.

Attorney Ingrid Evans, who was quoted in the report, has been implying that this is a widespread practice when, in fact, it is not. She is pursuing a class action lawsuit against a lender over this practice and is looking to bolster her case. Her case, so far, was initially filed in the state court and voluntarily dismissed following a decision by the state court judge to severely limit the scope of plaintiff's discovery. Attorney Ingrid Evans then refiled the action in federal court and the case is at a very early stage of the proceedings.

Ms. Evans is quoted as saying, "The number of people that have been hurt (by reverse mortgages) is skyrocketing." That is not the case. If you check with consumer protection officials at the Federal Reserve, at HUD or at state consumer affairs offices, you will find the incidence of complaints by reverse mortgage borrowers to be extremely low.

What is "skyrocketing," (if that term is appropriate for a product that has achieved less than 1% market penetration) is the number of people who are able to live more comfortable lives as a result of the additional income being generated by their reverse mortgage.

Studies undertaken over the years by both the U.S. Department of Housing & Urban Development and AARP have indicated that, by and large, reverse mortgage borrowers are satisfied with their experience and report having greater financial comfort as a result of obtaining their loan. The most recent study by AARP, published just this past December found that 93% of borrowers were satisfied with their reverse mortgage.

Lastly, we feel it was premature for NBC to dedicate the majority of a segment to allegations made in a complaint against a lender before the underlying allegations have been adjudicated by the court.



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This case is a relatively isolated circumstance in which an allegedly inappropriate deferred annuity, for which there are laws and regulations governing the sale of insurance products, was financed with proceeds from a reverse mortgage. The transaction that allegedly took advantage of Mrs. Munoz was the deferred annuity sale, not the reverse mortgage.

I would encourage NBC News to take a deeper look at reverse mortgages and present a more balanced picture of what is happening in this marketplace. Previous NBC News reports by Dan Harris and Kerry Sanders have presented much more balanced, more accurate depictions of reverse mortgages and their impact on senior homeowners.

Please let me know if there is anything that can be done to correct the misperception of reverse mortgages that has been created by this report and if we can be of any assistance in doing so.

Thank you for considering this request.

Yours sincerely,

A handwritten signature in black ink that reads "Peter H. Bell". The signature is written in a cursive style with a large, looped initial "P".

Peter H. Bell, President  
National Reverse Mortgage Lenders Association

cc Mr. Tom Costello  
NBC Nightly News  
4001 Nebraska Ave. NW  
Washington DC 20016