



1400 16th Street, NW
Suite 420
Washington, DC 20036
Tel. 202.939.1760
Fax. 202.265.4435
www.nrmlaonline.org

May 20, 2010

The Honorable Christopher J. Dodd
Chairman, Senate Banking Committee
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Dodd:

I am writing today with regard to a SA 3941, a proposed amendment to S 3217, which is being offered by Sens. McCaskill and Kohl. Though the amendment is no doubt well-meaning, I'm convinced after my review of it that the proposal contains serious flaws that do serious damage to the reverse mortgage industry -- an industry that gives financial support to many of our senior citizens as they contend with the current economic downturn.

I represent an organization of financial institutions that together make the vast majority of reverse mortgages in this country. We all know that the soured economy has done severe damage to the retirement savings of many Americans. While this poses a potential future problem for many of us, many of our senior citizens are having to contend with it today. Some face monthly cash flow problems or lack the resources they need to repair their homes. Others are even facing foreclosure -- the loss of the last valuable asset that they have.

For many of these seniors who own homes, the solution is a reverse mortgage, which allows them to tap their existing home equity and pay off their mortgage balances while allowing them to remain in their homes. While reverse mortgages aren't for everyone, more than 385,000 seniors have taken advantage of this loan solution from FY 2007 through April 2010. Even the most jaded of housing experts admit that reverse mortgages have prevented hundreds, perhaps even thousands of home foreclosures during the current downturn.

The McCaskill/Kohl amendment would eliminate the reverse mortgage as a possible solution for our seniors -- at the very time they may need it the most.

Specifically, the McCaskill/Kohl amendment calls for a so-called "determination of suitability" -- essentially a spool of red tape that requires lenders to determine several unknown facts about the potential borrowers and their heirs. The onerous requirements would require lenders to determine such things as how long a borrower would remain in the home, whether their heirs have the financial capacity to pay off the reverse mortgage loan and whether the homeowner faces a reduction in government benefits as a result of securing a reverse mortgage. It also subjects banks to vague advertising requirements that appear to be far more Draconian than those required for other loan vehicles, such as variable-interest mortgages.

To put it bluntly, such requirements would make it all but impossible for a lender to provide reverse mortgages for our seniors who need them most. I predict this will severely crimp the

reverse mortgage industry, even as many of our members are voluntarily eliminating fees in an effort to make these loan products more affordable to our seniors.

As you know, NRMLA and our members have worked diligently in the past years to weed out the bad operators in our industry. We have worked closely with HUD, other agencies and Congress to demystify reverse mortgages and ensure that they are going to the people who need them the most. The McCaskill/Kohl amendment doesn't appear to advance these efforts; indeed, in some respects, they make matters worse. I realize passage of your financial reform legislation is imminent; I urge you to reject this amendment. And our members pledge to continue to work with Congress to address concerns about reverse mortgages and make the product an even better choice for our nation's seniors.

Sincerely,

Peter Bell
President

CC: Members of the Senate Banking Committee