



Reverse Mortgage Supervision

Chuck Cross

Conference of State Bank Supervisors



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State Approach to Supervision

- **What is the State System?**
- **How do we supervise the mortgage industry?**
- **The process of examination.**
- **The tools we use.**

The State System

- Commissioners and Agencies
 - ~800 examiners, supervisors, investigators, etc
 - > 1,400 mortgage exams per year
- CSBS and AARMR
- SRR and NMLS
- Cooperation with Federal Agencies

S.A.F.E. Changed Our World

- **Established the position of CSBS/AARMR in federal law**
- **Set uniform licensing standards**
- **Created a repository**
- **Required new reporting**

Supervision is More Than Licensing & Examinations

- **Call Reports**
- **Risk Profiling for Scheduling and Scoping Examinations**
- **Information Portal for:**
 - **Exam Findings**
 - **Enforcement Actions**
 - **Consumer Complaints**



MULTISTATE EXAMS

- **Multiple states conduct joint exams**
- **Single Examiner in Charge (EIC)**
- **Single Report of Examination (ROE)**
- **Multistate Mortgage Committee (MMC)**
 - Schedules
 - Directs
 - Approves



MMC FOCUS ON REVERSE MORTGAGE LENDING

- **Consumer Contact and Origination**
- **Underwriting**
- **Operational Management**
 - **Financial Condition of Institution**
- **Secondary Market**



State Exam Findings In Recent Examinations

- **General Findings**
- **Federal Compliance**
- **State Compliance**



GENERAL FINDINGS

- **Statistically significant overvaluations**
- **Failure to establish and maintain QC procedures for reverse mortgage loans**
- **Various state advertising violations**
- **Failure to provide requested documents**
- **Inadequate policies**



Federal Compliance Findings

- **GFE and TIL not provided within 3 days**
- **Understated charges on GFE**
- **Failure to disclose counseling fees on HUD1**
- **PATRIOT Act violation – customer identity**
- **Service provider disclosure under RESPA**
- **Servicing disclosure failures**
- **HECM Counselor Roster failures**
- **Rescission right failures**
- **Privacy notice failures**



State Compliance Findings

- **Significant licensing failures**
 - **Unlicensed Branches and Loan Originators**
 - **Failure to disclose unique identifier**
- **Record retention violations**
- **Annual reporting violations**
- **Overcharge on 3rd party fees**
- **Documents not properly executed**
 - **Unsigned/Blank signed documents**
- **Counseling violations**
- **RM cooling off periods**

Reverse Mortgage Examination Guidelines





UNIFORM GUIDELINES for

- REGULATORS
- INSTITUTIONS
- AUDITORS



RMEGs FORMAT

- INTRODUCTION
- 9 MODULES

Used Independently

Or Interdependently



MODULE S 5&6 INSTRUCTIONS, REQUEST AND QUESTIONNAIRE

- **7 sections and 107 questions track with Module 2**
- **3 sections and 37 questions track with Module 3**
- **Forms the foundation for completing most of the examiners' worksheets**



MODULE 5 – INSTITUTION INFORMATION AND DATA REQUEST

- **Contains licensee instructions**
- **Document request**
 - **policies, procedures, standards and underwriting guidelines**
 - **copies of all marketing materials**
 - **all communications used with consumers**
 - **copies of notes, description and program parameters**
 - **reports produced for monitoring Reverse Mortgages**
 - **complaints filed by homeowners**
 - **exceptions to written underwriting policies**
 - **list of all institutions doing business with**
 - **all Reverse Mortgage counselors**
 - **details of all payments made to counselors**
 - **copy of all regulatory examination reports**



EXAMINER WORKSHEETS

- Consist of questions intended to prompt the examiner for specific review
- Much of the checklist can be completed during an offsite review prior to the exam
- Other sections will require file-level review and possibly interviews of institution staff, homeowners and third parties including appraisers and counselors

A. PRE-EXAMINATION

| | <p>GENERAL <i>Examiner note: This section should be completed regardless of the scope of the examination or size or type of the institution. The questions in this section are general triggers intended to stimulate broad consideration by the examiner. For full scope examinations the examiner should review each loan file identified from A.2 below.</i></p> | Y | N | NA | <p>Examiner Notes [Document supporting evidence and note determinations and findings made.]</p> |
|-----|--|---|---|----|---|
| A.1 | <p>Does management have a clear understanding of its responsibilities for Reverse Mortgages? What evidence is there that management clearly understands the risks associated with Reverse Mortgages? <i>Examiner note: Consider response to questionnaire, policies, procedures and underwriting guidelines, interviews of management and staff, and the actual lending practices of this institution.</i></p> | x | | | |



PREVENTATIVE MEASURES

Use the RMEGs for

- **Management Review**
- **Quality Control and Internal Audit**
- **External Audit**
- **Law Firm or Consultant Review**





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- » **CSBS Comment Letters**
- » **CSBS Proposals and Policy Positions Matrix**
- » **Mortgage Policy**

AARMR/CSBS Guidance on Reverse Mortgage Examination Guidelines

[Reverse Mortgage Examination Guidelines \(PDF\)](#)

[Reverse Mortgage Examination Guidelines \(Word Doc\)](#)

[Press Release](#)



Contact Information

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