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Hon. Cherelle Parker
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Re: Philadelphia Bill No. 180138

Dear Councilwoman Parker:

The National Reverse Mortgage Lenders Association (“NRMLA”) is the national voice of the reverse mortgage industry. With over 300 member companies and over 2,000 member delegates, NRMLA serves as an educational resource, policy advocate and public affairs center for lenders and related professionals. NRMLA was established in 1997 to enhance the professionalism of the reverse mortgage industry. Our mission includes educating industry participants on best practices, regulatory requirements and market dynamics; providing helpful information to consumers about reverse mortgages; enforcing our Code of Ethics and Professional Responsibility;¹ and offering insight to policymakers working on reverse mortgage matters and related issues.

While the NRMLA fully supports consumer protections for seniors, we write to express our concern that Philadelphia Bill 180138 as drafted may lead Philadelphia seniors that have a current Federal Housing Administration (FHA)-insured Home Equity Conversion Mortgage loan (or HECM) or other types of a reverse mortgage to believe that they can enter into a tax deferral program and not be in default under their reverse mortgage, if in fact such deferred and unpaid taxes would prime a lender’s mortgage lien.

Under FHA HECM regulations, FHA provides that a borrower shall not participate in a real estate tax deferral program or permit any liens to be recorded against the property, unless such liens are subordinate to the insured mortgage and, if applicable, any second mortgage held by the FHA Commissioner. See 24 C.F.R. § 206.27(b)(3).

Further, the HECM loan documents that a HECM borrower signs provides that the: “Borrower shall not participate in a real estate tax deferral program, if any liens created by the tax deferral are not subordinate to this Security Instrument.” See section 14(B) of the model FHA Security Instrument, which can be found here: http://www.hud.gov/sites/documents/HECM_MODEL_ARM_MORTGAGE.PDF

¹ *Code of Ethics & Professional Responsibility*, NRMLA, <http://www.nrmlaonline.org/nrmla/ethics/conduct.aspx>.

Please note that over 99% of the reverse mortgages offered in the market today are FHA-insured HECM loans. However, we understand that when it comes to tax deferral programs, other reverse mortgage programs take the same approach as the FHA HECM program in order to preserve the lender's lien from being primed or displaced by unpaid or deferred local real estate property taxes.

We are willing to work with you and the Council to further explore mechanisms to protect Philadelphia seniors that have a reverse mortgage and are having trouble paying their real estate taxes on a timely basis, including assuring that Philadelphia's ordinances provide that such deferred and unpaid taxes would not prime a lender's mortgage lien. However, as currently drafted, we are concerned that Philadelphia Bill No. 180138 will inadvertently place Philadelphia seniors with current FHA-insured HECM loans or other reverse mortgages at greater risk while not affording them the benefits we believe you intend.

Conclusion

NRMLA appreciates your consideration of our comments herein. We trust that you will find our comments above helpful and that you will consider working with us to find a better path for additional protections for Philadelphia seniors.

Very truly yours,



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