

Requirements for Interagency Guidance on Managing Compliance and Reputation Risks for Reverse Mortgage Products (FR 4029; OMB No. 7100-0330)

The guidance describes reporting, recordkeeping, and disclosures for both proprietary and HECM reverse mortgages. A number of these disclosures are “usual and customary” business practices for proprietary and HECM reverse mortgages, and these would not meet the PRA’s definition of “paperwork.” Other included disclosure requirements are currently mandated by RESPA or TILA for all reverse mortgage loans and information collections required by HUD’s rules for HECM loans. Discussion of these requirements in the guidance is also not considered additional paperwork burden imposed by the guidance. Proprietary reverse mortgage products, however, are not subject to HUD’s rules for HECM loans. To the extent that the interagency guidance applies HECM requirements to proprietary loans, this would meet the PRA’s definition of paperwork burden. There are also additional provisions in the guidance that apply to both proprietary and HECM reverse mortgages that do not meet the “usual and customary” standard, are not covered by already approved information collections and, therefore, likewise meet the PRA’s definition of paperwork burden.

Proprietary Reverse Mortgages. Financial institutions offering proprietary reverse mortgages are encouraged under the guidance to follow or adopt relevant HECM requirements for mandatory counseling, disclosures, affordable origination fees, restrictions on cross-selling of ancillary products, and reliable appraisals.

Proprietary and HECM Reverse Mortgages. Financial institutions offering either proprietary or HECM reverse mortgages are encouraged to develop clear and balanced product descriptions and make them available to consumers shopping for a mortgage. They should set forth a description of how disbursements can be received and include timely information to supplement disclosures mandated by TILA and other disclosures. Promotional materials and product descriptions should include information about the costs, terms, features, and risks of reverse mortgage products.

Financial institutions should adopt policies and procedures that prohibit directing a consumer to a particular counseling agency or contacting a counselor on the consumer’s behalf. They should adopt clear written policies and establish internal controls specifying that neither the lender nor any broker will require the borrower to purchase any other product from the lender in order to obtain the mortgage. Policies should be clear so that originators do not have an inappropriate incentive to sell other products that appear linked to the granting of a mortgage. Legal and compliance reviews should include oversight of compensation programs so that lending personnel are not improperly encouraged to direct consumers to particular products.

Financial institutions making, purchasing, or servicing reverse mortgages through a third party should conduct due diligence and establish criteria for third-party relationships and compensation. They should set requirements for agreements and establish systems to monitor compliance with the agreement and applicable laws and regulations. They should also take corrective action if a third party fails to comply. Third-party relationships should be structured in a way that does not conflict with RESPA.