

SUPPORTING STATEMENT
Reverse Mortgage Products
OMB No. 3064-0176

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) for renewal an information collection associated with reporting requirements contained in a guidance document, *Reverse Mortgage Products: Products: Guidance for Managing Compliance and Reputation Risks* (Reverse Mortgage Guidance), jointly issued by the federal financial institution regulatory, including the FDIC. The guidance sets forth standards intended to ensure that insured depository institutions effectively assess and manage the compliance and reputation risks associated with reverse mortgage products. The information collection will allow the FDIC to evaluate the adequacy of an institution's internal policies and procedures as they relate reverse mortgage products.

A. JUSTIFICATION

Section 1828(o) of the Federal Deposit Insurance Act requires each federal banking agency to adopt uniform regulations prescribing real estate lending standards. Part 365 of the FDIC Rules and Regulations and Appendix A to Part 365 implement section 1828(o) and, among other things, require institutions to have real estate lending policies that include limits and standards consistent with safe and sound banking practices and prudent underwriting standards. While part 365 and Appendix A to part 365 primarily address the credit, interest rate, and liquidity risks to safety and soundness posed by real estate lending, such loans, particularly reverse mortgage loans, also present compliance and reputation risks that must be managed by an institution. Therefore, the Federal Financial Institutions Examination Council (FFIEC) developed the Reverse Mortgage Guidance to address the unique compliance and reputation risks associated with such mortgages and recommended that each of the FFIEC member agencies issue the document as supervisory guidance.

1. Circumstances and Need

Reverse mortgages are home-secured loans that are typically offered to elderly consumers, enabling eligible borrowers to access the equity in their homes in order to meet emergency needs, supplement their incomes, or purchase a new home. Currently, the overwhelming majority of reverse mortgage products are federally-insured loans offered under the federal Home Equity Conversion Mortgage (HECM) program, although some institutions offer proprietary reverse mortgage products. Expected increases in the elderly population of the United States and other factors suggest that the use of reverse mortgages could expand significantly in coming years as more homeowners become eligible for such products. However, reverse mortgages are complex loan products that present a range of complicated options to borrowers. Because they are typically secured by the borrower's primary asset, his or her home, and often provide the only funds available to pay health care costs and other living expenses, the need to provide adequate information about reverse mortgage products and ensure appropriate consumer protections is particularly high. Therefore, it is critical that consumers understand the terms of the product and the nature of their obligations and that institutions offering such products adhere to applicable consumer protection laws, especially for proprietary reverse

mortgage products that lack the insurance offered under the HECM program.

2. Use of Information Collected

Institutions use the reverse mortgage policies and internal controls to ensure that their risk management and consumer protection practices adequately address the compliance and reputation risks raised by reverse mortgage lending. These policies and controls should address the need to provide adequate information to consumers about product terms and features, provide qualified independent counseling to consumers considering the products, and avoid potential conflicts of interest. The agencies will use this information in their examinations of institutions to ensure that reverse mortgage loans made by the institutions are consistent with existing statutory and regulatory consumer protection criteria, the principles of risk management, and the relevant guidance.

3. Use of Technology to Reduce Burden

Institutions may use technology to the extent feasible and appropriate to develop and maintain their policies and procedures on reverse mortgage products.

4. Efforts to Identify Duplication

To the extent that institutions already have policies in place that comply with the requirements of the guidance, no new policies would be necessary. Generally, the requirement to adopt policies and internal controls for reverse mortgage products would be supplementary to a bank's existing loan policies.

5. Minimizing the Burden on Small Entities

The requirement that institutions adopt policies and internal controls to ensure appropriate consumer disclosures is the minimum necessary to ensure that the compliance and reputation risk arising from reverse mortgage products are adequately addressed. Small entities can choose whether to offer reverse mortgage products.

6. Consequences of Less Frequent Collection

The establishment of reverse mortgage policies and internal controls and annual review of the policies and controls is the minimum necessary to ensure that policies reflect the current lending environment.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The agencies published a notice seeking public comment on the proposed renewal of the information collection Reverse Mortgage Guidance on September 22, 2016 (81 FR 65643). No comments were received.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

This collection imposes no special confidentiality requirements. Institutions may share their reverse mortgage policies and internal controls as they deem appropriate.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

The final guidance includes reporting, recordkeeping, and disclosure requirements applicable to both proprietary and HECM reverse mortgages. However, a number of the recommended practices in the guidance are already covered, for both proprietary and HECM reverse mortgages, under existing consumer protection information collections (e.g., Truth in Lending). In addition, other recommended practices in the guidance are already covered, at least for HECM reverse mortgages, under an existing Department of Housing and Urban Development (HUD) information collection for HECM loans. To the extent that the guidance applies HECM consumer protection requirements to proprietary reverse mortgages, the agencies would normally request clearance under PRA. However, because current market conditions have reduced to fewer than 10 industry-wide the number of institutions offering proprietary reverse mortgages, the agencies are not now seeking OMB approval for the HECM-like consumer protections applicable to such mortgages. The agencies are seeking to renew requirements, for HECM and proprietary reverse mortgages, related to policies and internal controls.

<u>Paperwork Burden:</u>	<u>Number of Respondents</u>	<u>Hours Per Response</u>	<u>Responses Per Year</u>	<u>Total Hours</u>
Implementation of policies and internal controls and training	1	40	1	40
Review/maintenance of policies and internal controls	26	8	1	200
<hr/>				
Total Burden				240 hours

13. Capital, Start-up, and Operating Costs

There are no capital, start-up or operating costs associated with development and implementation of reverse mortgage policies and internal controls. To the extent that policies and internal controls are needed, they would be supplementary to existing lending policies.

14. Estimates of Annualized Cost to the Federal Government

None.

15. Reason for Change in Burden

Burden has changed due to a change in the FDIC's estimate of respondents. All respondents should have gone through the implementation phase so implementation burden has been reduced from 48 to one (1) respondent as a placeholder in case of a new institution elects to offer reverse mortgage products. Ongoing burden has been reduced from 48 to 26 respondents. The reduction in the estimated number of respondents has resulted in a decrease in total burden from 2,304 annual hours to 240 annual hours.

16. Publication

The policies and internal controls are maintained by the institutions and will not be published by the FDIC.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.