

**SUPPORTING STATEMENT
REVERSE MORTGAGE PRODUCTS
(OMB No. 3064-0176)**

INTRODUCTION

The FDIC is requesting OMB approval of the three-year extension, without change, of its collection of information entitled “Reverse Mortgage Products” (OMB Control No. 3064-0176) which consists of 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 agencies, including the FDIC. There is no change in the method or substance of the collection which currently expires on June 30, 2020.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

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. 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. The FDIC issued its Reverse Mortgage Guidance on August 17, 2010.¹ The guidance sets forth standards intended to encourage FDIC-supervised institutions to effectively assess and manage the compliance and reputation risks associated with reverse mortgage products.

2. Use of the information:

The FDIC will use the information as part of its supervisory process. The information collection will allow the FDIC to evaluate the adequacy of an institution’s internal policies and procedures as they relate to reverse mortgage products. Examiners will assess whether reverse mortgage loans made by the institutions are consistent with existing statutory and regulatory consumer protection criteria, as well as principles of risk management as part of the safety and soundness examination of the institution.

3. Consideration of the use of improved information technology:

¹ 75 FR 50801 (August 17, 2010).

FDIC-supervised institutions may use any technology they wish in order to lessen the burden of meeting this recordkeeping requirement.

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. **Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:**

All FDIC-supervised institutions, large and small, are affected. Small insured state nonmember banks and state savings associations generally have a narrower range of products and less complex operations. Therefore, these smaller institutions may not offer reverse mortgages. 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 to the Federal program if the collection were conducted less frequently:**

Less frequent collection would hinder the FDIC's ability to assess the safety and soundness of FDIC-supervised institutions and take corrective action as needed.

7. **Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):**

None. The information is collected in a manner consistent with 5 CFR 1320.5(d)(2).

8. **Efforts to consult with persons outside the agency:**

The FDIC published a notice in the *Federal Register* seeking comment for a 60-day period on renewal of this information collection on April 14, 2020 (85 FR 20688). No comments were received.

9. **Payment or gifts to respondents:**

None.

10. **Any assurance of confidentiality:**

Information is kept private to the extent allowed by law.

11. **Justification for questions of a sensitive nature:**

Not applicable. No sensitive information is collected.

12. **Estimate of hour burden including annualized hourly costs:**

Estimated Annual Burden:

The Reverse Mortgage 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. The FDIC is seeking to renew recordkeeping requirements, for HECM and proprietary reverse mortgages, related to policies and internal controls.

The FDIC revised its estimates of the number of respondents to this information collection based on changes in the estimated number of respondents due to economic conditions. The hourly burden per response remains the same, recognizing a difference between the amount of time required to implement policies and procedures and the amount of time required to maintain records on an ongoing basis once those policies and procedures have been established.

Total Estimated Number of Respondents

FDIC revised its estimate of the number of respondents to this information collection. Potential respondents to this information collection include all FDIC-supervised institutions that adopt or revise policies and procedures regarding reverse mortgage offerings.

The estimate for respondents with ongoing reverse mortgage products was calculated using 2018 Home Mortgage Disclosure Act (HMDA) data and 2018 monthly U.S. Department of Housing and Urban Development (HUD) Home Equity Conversion Mortgage (HECM) data. For the 2018 HMDA data, the FDIC identified 27 institutions that had at least 1 application for a reverse mortgage.² In order to account for reverse mortgage originators who did not report HMDA data, the FDIC cross referenced to the 2018 HUD HECM data and identified 6 institutions with at least 1 application in the 2018

² HMDA only began tracking reverse mortgages with the 2018 HMDA data, meaning that there is no way to identify reverse mortgages in HMDA data in 2017 or earlier.

HUD HECM data. Three of those institutions were also identified in the 2018 HMDA data; thus, the FDIC identified 30 total reverse mortgage originators using 2018 data from the two sources.

To estimate the number of institutions facing implementation burden, FDIC looked at the change in the estimated number of respondents facing ongoing burden for revising existing policies and procedures. In 2016 FDIC estimated the number of respondents facing ongoing burden to be 26. The current estimated number of FDIC-supervised institutions that offer reverse mortgages is 30. The FDIC assumes that approximately 4 institutions began offering reverse mortgages over the last three years and estimates the number of respondents implementing reverse mortgage products to be approximately one per year.

Estimated Hourly Burden

FDIC estimates the recordkeeping burden associated with implementing and documenting incentive-based compensation policies and procedures to be 40 hours per respondent, per year. FDIC estimates the recordkeeping burden associated with revising and documenting incentive-based compensation policies and procedures previously adopted and documented to be 8 hours per respondent, per year.

Information Collection (IC) Description	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Time per Response (Hours)	Frequency of Response	Total Estimated Annual Burden (Hours)
Implementation of Reverse Mortgage Products Policies and Procedures	Recordkeeping	Voluntary	1	40	One Time	40
Review and Maintenance of Existing Reverse Mortgage Products Policies and Procedures	Recordkeeping	Voluntary	30	8	Annually	240
Total Estimated Annual Burden						280

Annualized Cost of Internal Hourly Burden:

To estimate the weighted average hourly cost of compensation, FDIC uses the 75th percentile hourly wages reported by the Bureau of Labor Statistics (BLS) National Industry-Specific Occupational Employment and Wage Estimates for the relevant occupations in the Depository Credit Intermediation sector, as of December 2019.

The hourly wage rates reported by BLS do not include non-monetary compensation. According to the December 2019 Employer Cost of Employee Compensation data, compensation rates for health and other benefits are 33.8 percent of total compensation. To account for non-monetary compensation, FDIC adjusted the hourly wage rates reported by BLS by that percentage. FDIC also adjusted the hourly wage by 3.11 percent based on changes in the Consumer Price Index for Urban Consumers (CPI-U) from May 2018 to December 2019 to account for inflation and ensure that the wage information is contemporaneous with the non-monetary compensation statistic.

After calculating these adjustments, FDIC then weighted the total hourly compensation across the four occupations (Executives and Managers, Lawyers, Compliance Officer, and Clerical) FDIC estimates are involved in responding to this information collection as follows:

Summary of Hourly Burden Cost Estimate (3064-0176)

Estimated Category of Personnel Responsible for Complying with the PRA Burden	Total Estimated Hourly Compensation	Estimated Weights	Weighted Hourly Wage
Executives & Managers ³	\$121.88	5%	\$6.09
Lawyers ⁴	154.50	5%	\$7.73
Compliance Officer ⁵	\$65.42	85%	\$54.76
Clerical ⁶	\$32.59	5%	\$1.63
Weighted Average			\$70.21

Source: Bureau of Labor Statistics: "National Industry-Specific Occupational Employment and Wage Estimates: Depository Credit Intermediation Sector" (May 2018), Employer Cost of Employee Compensation (December 2019), Consumer Price Index (December 2019).

Total Estimated Cost Burden

FDIC estimates the total annual cost burden for this information collection by multiplying the total estimated annual burden of 280 hours, by the weighted average hourly compensation estimate of \$70.21 to arrive at an estimated labor cost of \$19,658.80 per year.

13. Estimate of start-up costs to respondents:

None.

14. Estimate of annualized costs to the government:

None.

³ Occupation (SOC Code): Management Occupations (110000).

⁴ Occupation (SOC Code): Lawyers, Judges, and Related Workers (231000).

⁵ Occupation (SOC Code): Compliance Officers (131041).

⁶ Occupation (SOC Code): Office and Administrative Support Occupations (430000).

15. **Analysis of change in burden:**

There is no change in the substance or methodology of this information collection. The change in burden is due solely to an increase in the number of institutions now offering reverse mortgages which increased from 26 to 30. The hourly burden per response remains the same. All 30 respondents are assumed to have gone through the implementation phase and are assumed face an ongoing burden of 8 hours per respondent to maintain records. As a result of the increase in estimated respondents from 26 to 30, total estimated annual burden for this information collection has increased by 32 hours from 248 hours to 280 hours.

16. **Information regarding collections whose results are planned to be published for statistical use:**

The information collected is for internal FDIC use only and is not published.

17. **Display of expiration date:**

This information collection involves recordkeeping requirements only. The expiration date of the information collection is readily available at www.reginfo.gov⁷

18. **Exceptions to certification:**

None.

B. **COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.

⁷ <https://www.reginfo.gov/public/Forward?SearchTarget=PRA&textfield=3064-0176>