



July 1, 2009

The Honorable Claire McCaskill
717 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator McCaskill:

On behalf of the Mortgage Bankers Association (MBA), we appreciate the opportunity to submit this statement on reverse mortgages for your field hearing on reverse lending. While MBA supports the entry of lenders into the reverse mortgage market, we also appreciate that these mortgages are marketed to a potentially vulnerable population, and we wholeheartedly support enhanced protections for these elderly consumers. The consumer protections should include adequate counseling standards and a clear plan for the payment of taxes and fees of the mortgaged property. MBA's reverse mortgage model state bill is intended to be a proactive instrument that will provide safeguards for consumers and lenders.

MBA believes that counseling should be mandatory for all reverse mortgage borrowers. Our model bill requires that a lender refer the prospective borrower to a HUD-approved housing counseling agency that provides face-to-face and telephone counseling. In addition, under the model bill, a lender could not accept a final and complete application for a reverse mortgage from an applicant or assess any fees upon an applicant without first receiving certification from the applicant (or the applicant's authorized representative) that they have received counseling from an agency.

In addition, the counseling session must include the following elements: 1) Options other than a reverse mortgage that are available to the homeowner, including other housing, social service, health and financial options; 2) Other reverse mortgage options that are or may become available to the homeowner, such as sale-leaseback financing, deferred payment loans and property tax deferral; 3) The financial implications of entering into a reverse mortgage; and 4) A disclosure that a reverse mortgage may have tax consequences, affect eligibility for assistance under federal and state programs, and have an impact on the estate and heirs of the homeowner.

MBA's model bill would also provide that upon the request of the borrower, other parties would be allowed to attend the counseling sessions with the borrower, which may be beneficial for some applicants and reassuring to other family members or concerned individuals. There should not, however, be a legal obligation or duty on the lender to inform, notice or advise any other party of the opportunity to attend the counseling.

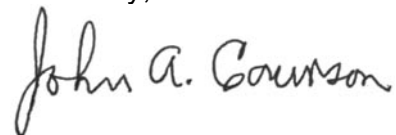
The Housing and Economic Recovery Act (HERA) created restrictions on cross-selling other financial products when originating a reverse mortgage loan in order to prevent any undue pressure on the borrower. MBA supports this concept and in its model bill also prohibits the selling of other financial instruments with the proceeds of a reverse

mortgage, excluding title insurance, hazard, flood or other peril insurance. Aside from the financial products associated with enhancing the mortgage for the good of the borrower and the lender, such as mortgage insurance, MBA believes that annuities should not be required as a condition of obtaining a reverse mortgage. In addition, the timing of offering an annuity should be properly oriented around obtaining the reverse loan. Specifically, MBA advocates that offering an annuity to the borrower prior to the closing of the reverse mortgage or before the expiration of the right of the borrower to rescind the reverse mortgage agreement should be prohibited. The reverse lender should not refer the borrower to anyone for the purchase of an annuity, excluding homeowner's insurance, prior to the closing of the reverse mortgage or before the expiration of the right of the borrower to rescind the reverse mortgage agreement.

As a protection to the borrower and the lender, MBA advocates that lenders, upon issuing a reverse mortgage, form a set-aside account of the estimated costs of three years of both taxes and insurance payments from the borrower's payout. Should the borrower fail to pay taxes and insurance on the mortgaged property, lenders would be permitted to use the set-aside funds to pay the mortgaged property's taxes and insurance. If the borrower pays the taxes and insurance on the mortgaged property without incident, the value of the set-aside account would be used to offset the amount of cash, interest and fees the borrower or the borrower's estate must repay to the lender.

Thank you again for providing us the opportunity to share our model reverse mortgage proposal with you. MBA supports strong counseling requirements, limits on cross selling and escrow for taxes and insurance. We look forward to working with you and your staff on this important issue.

Sincerely,

A handwritten signature in cursive script that reads "John A. Courson". The signature is written in black ink and is positioned below the word "Sincerely,".

John A. Courson
President and Chief Executive Officer