



Ethics Advisory Opinion 2013-02
Full Draw HECM Loan Repayment Considerations
July 10, 2013

The Ethics and Standards Committee (the “Committee”) of the National Reverse Mortgage Lenders Association (“NRMLA”), the trade association of the reverse mortgage industry, enforces the NRMLA Code of Ethics and Professional Responsibility (“Code of Ethics”). All NRMLA Members are required to comply with the Code of Ethics as a condition of their continued membership in NRMLA. If the Committee determines that a NRMLA Member has not complied with the Code of Ethics, sanctions may be imposed, up to and including the termination of NRMLA Membership. Committee decisions enforcing the Code of Ethics may be made public.

The Committee also interprets the Code of Ethics, and, from time to time, proposes changes to it for consideration and approval by the NRMLA Board of Directors.

The Code of Ethics has as one of its core Values: Professionalism. It requires that NRMLA Member conduct reflect positively on NRMLA, the profession and the industry. It also includes, as one of its core Rules (105), that NRMLA Members not knowingly make misleading statements to consumers or others. In addition, Rule 605 requires NRMLA Members to comply with all applicable regulatory requirements.

The purpose of this Ethics Advisory Opinion 2013-02 (“Full Draw HECM Loan Repayment Considerations”) is to remind NRMLA Members of this Value, these Rules, and the requirements of the Code of Ethics as they apply to assisting borrowers in determining the amount of the initial draw upon the closing of their HECM loans.

Specifically, under the Code of Ethics, NRMLA Members may not advise consumers to draw, at closing, the full amount of the available loan proceeds of an open-end HECM Standard adjustable rate reverse mortgage loan, with the intent of repaying those proceeds promptly after closing .

Planned repayments of the type described above can impede the development and vitality of the secondary market for HECM loans. Repayment/prepayment expectations play an important role in determining the secondary market value of HECM loans, and unexpected planned repayments of drawn funds has a negative impact on the development of an effective, robust secondary market – something that is needed to help assure that the HECM product remains competitive and viable in the long term.

Accordingly, and consistent with their obligations as NRMLA Members under the Code of Ethics, NRMLA Members may not advise consumers, directly or indirectly, to plan to draw, at closing, the full amount of their open-end HECM Standard adjustable rate reverse mortgage loans, with the intent of repaying these amounts promptly after closing. NRMLA Members who so violate the Code of Ethics will be sanctioned by the Ethics Committee.

NRMLA Members, consumers, and others are urged to bring to the attention of NRMLA's President and the Committee concerns that they may have about potential unethical Full Draw HECM Loan repayment practices, and other concerns related to or arising under the Code of Ethics, for consideration and action by the President and the Committee in accordance with the procedures described in the Code of Ethics. The Code of Ethics, the Committee's Ethics Advisory Opinions, and contact information for NRMLA may be found at its website at www.NRMLAOnline.org.