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**FOR IMMEDIATE RELEASE**

August 9, 2013

## **PRESIDENT SIGNS BILL PROTECTING FINANCIAL OPTIONS FOR SENIORS**

**WASHINGTON, D.C.** – At a White House ceremony this afternoon, President Barack Obama signed the Reverse Mortgage Stability Act, bipartisan legislation “to authorize the Secretary of Housing and Urban Development to establish additional requirements to improve the fiscal safety and soundness of the Home Equity Conversion Mortgage insurance program.”

Attendees witnessing the signing included HUD Secretary Shaun Donovan, Congressmen Denny Heck (D-WA) and Michael Fitzpatrick (R-PA); Assistant Secretary of Housing/FHA Commissioner Carol Galante and National Reverse Mortgage Lenders Association President and CEO Peter Bell.

Since the release of the annual audit of the Mutual Mortgage Insurance Fund last November, HUD staff has worked with NRMLA to ensure the fund result is net neutral on an annual basis, as required by the 1987 statute that created the program. The new law gives HUD the authority to make changes via Mortgagee Letter, with an aim for implementation of the first changes by the beginning of the fiscal year on October 1.

“Both HUD and aging Americans are fortunate the department has a leadership team consisting of Shaun Donovan, Carol Galante and Deputy Assistant Secretary Charles Coulter with rich experience in housing finance,” Peter Bell said. “They have repeatedly demonstrated keen insight into the evolution of the Home Equity Conversion Mortgage program and an ability to make any necessary changes to strengthen the performance of the insurance fund and also protect borrowers.”

The legislation, sponsored by Congressmen Heck and Fitzpatrick, passed by unanimous consent in the House of Representatives in June.

“We appreciate the leadership and support of Congressmen Denny Heck and Michael Fitzpatrick in reaching across party lines to achieve this legislation,” added Bell.

Last week, with the support of Senate Banking Committee Chairman Tim Johnson (D-SD) and Ranking Member Mike Crapo (R-ID), the Senate also passed the bill by unanimous consent. The Senate version was sponsored by Robert Menendez (D-NJ) and Jerry Moran (R-KS).

“In the wake of a recession that bit into retirement savings and home values, each and every financial option becomes a necessity for the financial health of our country and its aging citizens,” Bell said. “When used properly, the HECM is a viable financial security option. Thus far, 788,000 American families have used this valuable resource.”

HUD intends to issue a first Mortgagee Letter in the late summer to begin the program alterations. Among the actions under consideration are:

- Financial assessments of HECM applicants to determine if they have the capability of meeting the responsibilities of the loan—including tax and insurance payment obligations;
- Mandating set aides and/or escrows for tax and insurance payments, to ensure borrowers can meet those obligations;
- Restrictions on the amount of proceeds that can be drawn initially, in order to prolong the useful life of the assets; and
- Including all borrower spouses on loans—regardless of the spouse’s age, as protection for either spouse against losing the home upon passing of the other.

“All of these changes consider both the best interests of borrowers and the ongoing health of the government insurance fund,” Bell said. “Historically, HUD has made smart changes to improve the HECM program, strengthen the insurance fund, and fulfill its mission of helping aging Americans maintain and remain in their homes.

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#### **About Reverse Mortgages**

Reverse mortgages are available to homeowners 62 years old and older with significant home equity. They are designed to enable retirees to borrow against the equity in their homes without having to make monthly payments as is required with a traditional "forward" mortgage or home equity loan. Under a reverse mortgage, funds are advanced to the borrower and interest accrues, but the outstanding balance is not due until the last borrower leaves the home, sells, or passes away. Borrowers may draw down funds as a lump sum at loan origination, establish a line of credit or request fixed monthly payments for as long as they continue to live in the home.

To date, more than 750,000 senior households have utilized an FHA-insured reverse mortgage. More than 575,000 senior households are currently using a reverse mortgage to help meet their financial needs. For more information, please visit [www.ReverseMortgage.org](http://www.ReverseMortgage.org)

#### **About the National Reverse Mortgage Lenders Association**

The National Reverse Mortgage Lenders Association (NRMLA) is a membership organization comprised of more than 300 companies and more than 1,000 people participating in the reverse mortgage industry. With a membership responsible for more than 90 percent of reverse mortgage transactions in the United States, NRMLA serves as the national voice for the industry. It serves as an educational resource, policy advocate and public affairs center for lenders and related professionals. NRMLA was

established in 1997 to enhance the professionalism of the reverse mortgage business. All NRMLA member companies commit themselves to our Code of Ethics & Professional Responsibility.