

Going Forward in Reverse Mortgages

MBA's Reverse Mortgage Lending
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Housing and Economic Recovery Act of 2008

- HECM Restrictions in Connection With Financial or Insurance Products
 - Firewall Between HECM Origination and Financial/Insurance Activity
 - Mortgagor must not be required to purchase any other financial or insurance product

- HUD will be seeking comments

Housing and Economic Recovery Act of 2008

- All parties that participate in/compensated for HECM origination must be approved by the HUD Secretary
- Origination of HECMs must be performed by:
 - FHA-approved loan correspondent and sponsor
 - FHA-approved mortgagee through its retail channel, or
 - FHA-approved mortgagee working with another FHA-approved mortgagee
 - Begins with case number assignments made on/after October 1, 2008

Housing and Economic Recovery Act of 2008

- Loan Limits
 - HECMs must not exceed the dollar amount limitation determined for Freddie Mac (generally \$417,000)
 - Effective January 1, 2009
 - Regular FHA limits are temporarily higher, but not HECMs
- Independent Counseling
- Limit on Origination Fees
- “Non-Recourse” Clarification

Fraud & Regulatory Enforcement Trends

- HUD
 - Inflated Appraisals / Appraisal Fraud
 - Not Principal Residence
 - Not Receiving Counseling
 - Not Ensuring Property Condition
 - Manipulating Borrower Age (youngest borrower)
 - General Compliance with HUD Requirements (e.g., Lender Approval)
- Other Agencies/States
 - Massachusetts Division of Banks – Lack of State Approval
 - Unfair/Deceptive Business Practices

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