



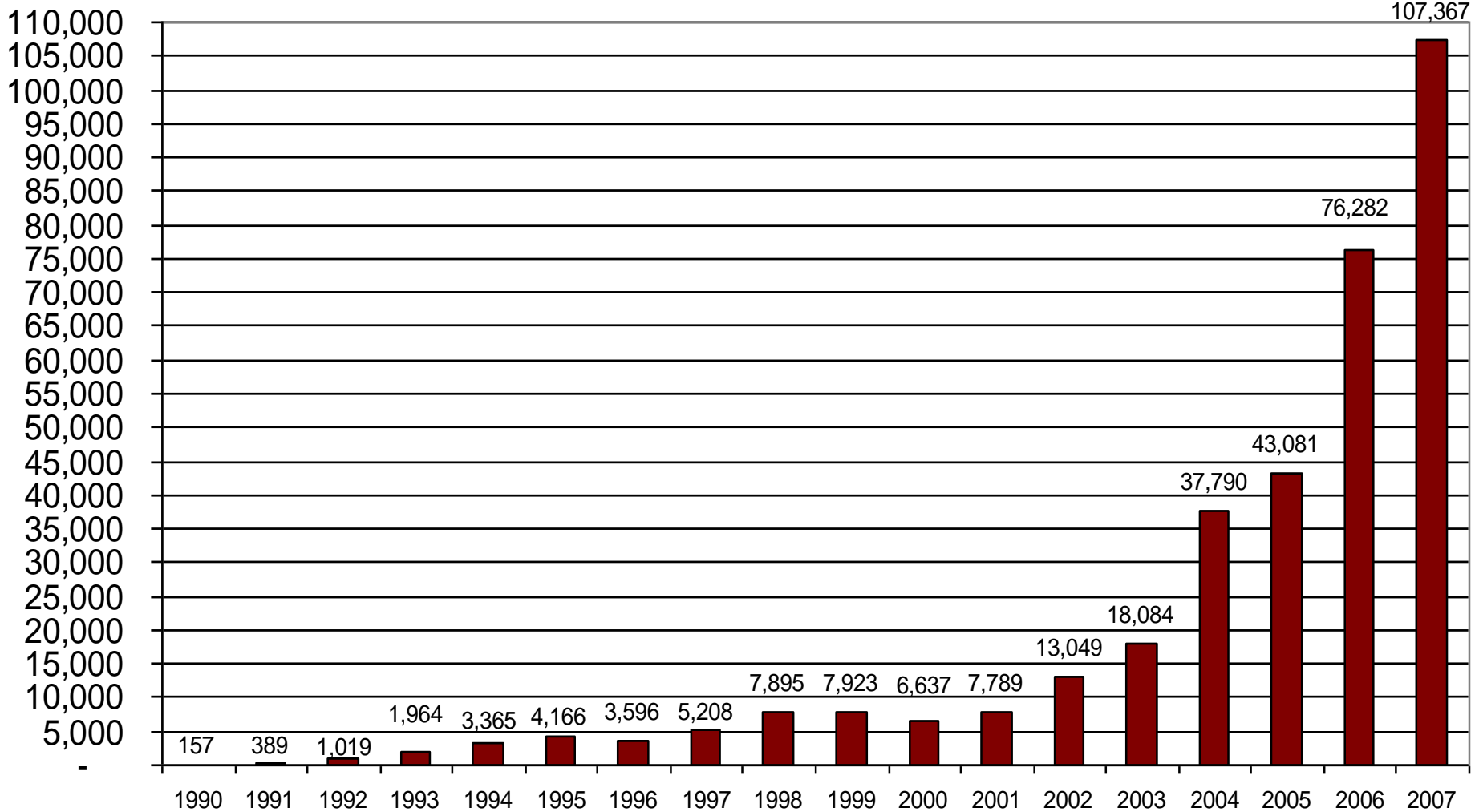
# HECM Trends 2008

Meg Burns

Director, FHA Single Family Program Development

- 
- FHA represents over 90% of all reverse mortgage business in the United States

## HECM Endorsements FY 1990 – 2007





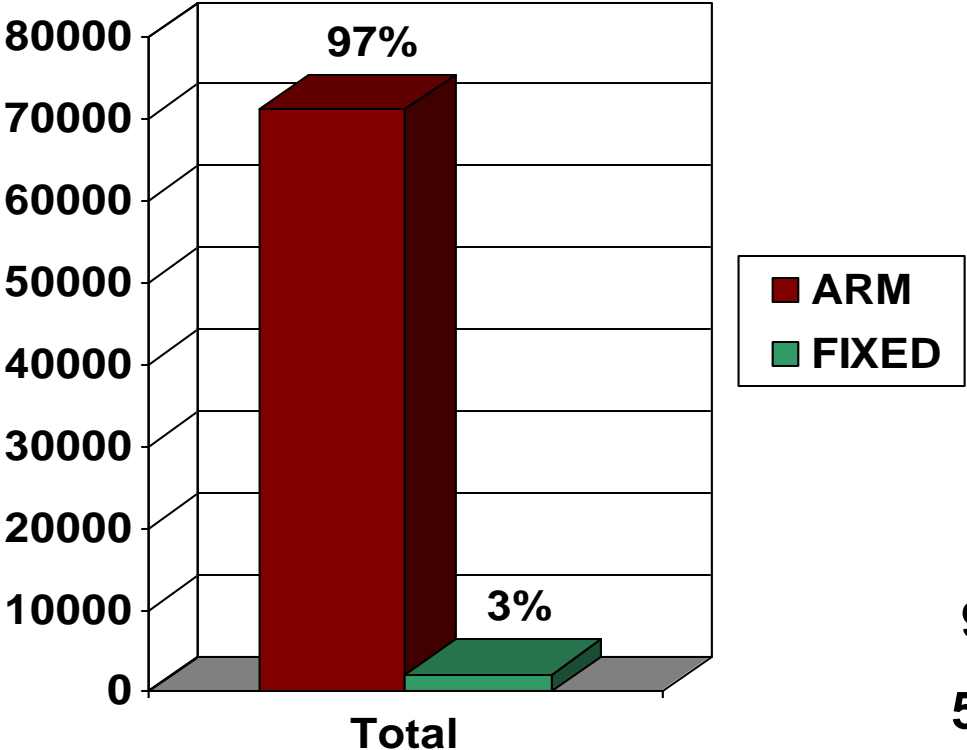
## FY 08 Statistics

- **73,799** cases endorsed
- Average expected interest rate – **5.4%**
- Average property value – **\$241,400**
- Average maximum claim amount – **\$217,900**
- Average initial principal limit – **\$154,800**
- Average borrower age – **73** years (down slightly from 76.6 years in 1990)



# FY 08 – Fixed vs. ARM

(as of May 31, 2008)



## Average Interest Rates

Fixed – 6.08%

ARM – 2.77%

## Of All ARMs

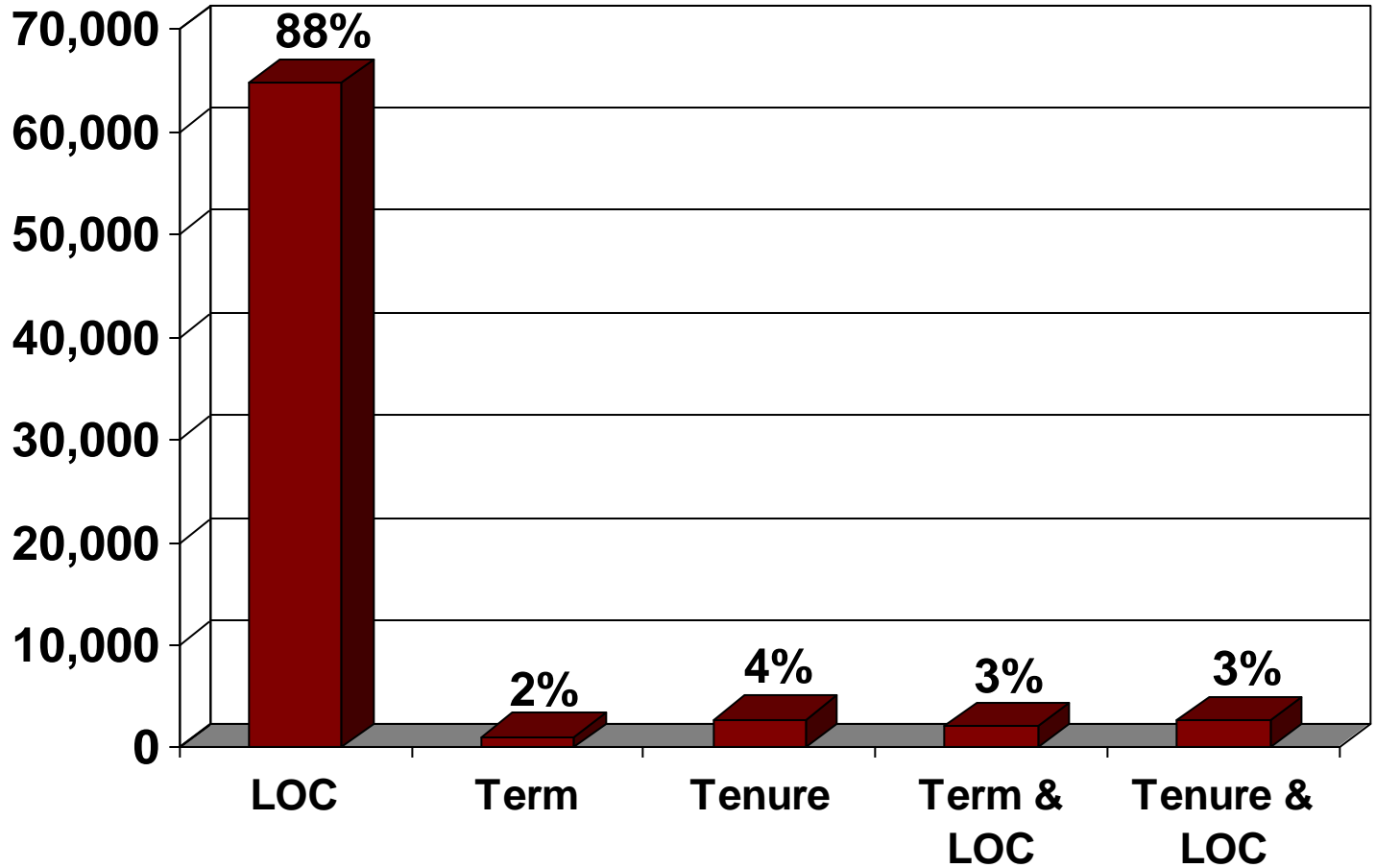
95% use CMT rate

5% use LIBOR rate



## FY 08 – Payment Plan

(as of May 31, 2008)





## Mortgagee Letters Published in 2007

- **LIBOR**
  - ML 07-13, Published October 17, 2007
  - Adds new index for adjustable rate HECMs
- **Opt-out of Face-to-Face Counseling**
  - ML 07-08, Published April 27, 2007
  - Permits seniors to engage in counseling and origination by phone
  - Lenders and counselors should have capacity to conduct face-to-face interviews and must offer face-to-face services



## Mortgagee Letters Published in 2007, cont'd.

- **HECM Existing Property Eligibility Requirements**
  - ML 07-06, Published April 12, 2007
  - Clarifies new construction that is complete is eligible for HECMs



## Mortgagee Letters Published in 2008

- **Participation of Non-FHA Approved Mortgage Brokers**
  - ML 08-14, Published May 16, 2008
  - Non-FHA Approved Brokers may only perform limited advisory services
  - May be compensated, within the 2% origination fee, fair market value for actual services performed and must disclose on HUD-1



## Mortgagee Letters Published in 2008, cont'd.

- **Borrower Paid Counseling**
  - ML 08-12, Published May 6, 2008
  - \$125 fee cap
  - May be paid by lender, or by borrower either directly or through HECM proceeds



## Mortgage Letters Published in 2008, cont'd.

- **Fixed Rate**
  - ML 08-08, Published March 28, 2008
  - Note rate and “expected” rate must be one and the same
  - May be closed-end credit
  - Monthly servicing fee may be up to \$30



## Pending Policy Guidance

- **HECM Counseling Clarifications Mortgagee Letter**
  - Projected publication June 2008
  - General Provisions
    - On-demand counseling
    - Borrower initiates
    - HCA provides lender list
- **Counseling Protocols**
  - Projected publication September 2008
  - General Provisions
    - Uniform standards govern RM counselors on Counselor Roster
    - Disbursement of counseling materials prior to counseling session
    - Counselors can withhold HECM Certificate of counseling



## Pending Policy Guidance, cont'd.

- **Revised Reverse Mortgage Application – 1009**
  - Projected publication July 2008
  - General Provisions
    - Removal of LOC restriction for Texas
    - Added fields
      - Closing costs
      - Fixed-rate
    - Alternative point of contact required
    - Updated instructions



## Pending Policy Guidance, cont'd.

- **Counseling Roster Regulation**
  - Published Proposed Rule January 8, 2007
  - Publish Final Rule August 2008
  - General Provisions
    - All HECM Counselors must be:
      - Trained
      - Pass HECM Exam
      - Follow uniform set of protocols



## Pending Legislation

- Removal of volume cap
- Single national loan limit set at conforming
- HECM for purchase
- Co-op fix
- Lower origination fee



## McCaskill Amendment

- **Counseling**
  - Authorizes FHA to cover cost
  - Requires counselors be trained, tested and follow standard protocols
- **Lending**
  - Prohibits cross-selling of insurance or other financial products
  - Requires that parties engaged in origination activities must be FHA approved
- **Study of Consumer Protections**