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BUREAU OF CONSUMER FINANCIAL PROTECTION

[Docket No. CFPB- 2012-0026]

Consumer Use of Reverse Mortgages

AGENCY: Bureau of Consumer Financial Protection.

ACTION: Notice and Request for Information.

SUMMARY: Section 1076 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) required the Bureau of Consumer Financial Protection (the CFPB or the Bureau) to conduct a study on reverse mortgage transactions.[1] The Bureau published this study in a June 28, 2012 Report to Congress.

The Bureau also has authority to implement regulations on reverse mortgage transactions. Specifically, the Bureau has authority to implement federal consumer financial laws, including the Truth in Lending Act and the Real Estate Settlement Procedures Act, which already impose requirements on reverse mortgage transactions. Further, section 1076 of the Dodd-Frank Act supplements the Bureau's authority to specify that the Bureau's regulations of reverse mortgage transactions may identify any practice as unfair, deceptive, or abusive, and may provide for an integrated disclosure standard and model disclosures.[2]

To assist its ongoing study of reverse mortgage transactions, the Bureau is seeking detailed information from the public on the factors that influence reverse mortgage consumers' decision-making, consumers' use of reverse mortgage loan proceeds, longer-term consumer outcomes of a decision to obtain a reverse mortgage, and differences in market dynamics and business practices among the broker, correspondent, and retail channels for reverse mortgages.

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[1] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1076(a), 124 Stat. 2075 (2010) (12 U.S.C. § 5602).
[2] *Id.* § 1076(b).

DATES: Comments must be received on or before [**INSERT DATE 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER**] to be assured of consideration.

ADDRESSES: You may submit comments, identified by Docket No. CFPB-2012-0026, by any of the following methods:

- *Electronic:* http://www.regulations.gov. Follow the instructions for submitting comments.
- Mail/Hand delivery/Courier: Monica Jackson, Office of the Executive Secretary, Bureau of Consumer Financial Protection Bureau, 1700 G Street, NW, Washington, DC 20552.

Instructions: The CFPB encourages the early submission of comments. All submissions must include the document title and docket number. Because paper mail in the Washington, DC area and at the Bureau is subject to delay, commenters are encouraged to submit comments electronically. Please note the number associated with any question to which you are responding at the top of each response (you are not required to answer all questions to receive consideration of your comments). In general, all comments received will be posted without change to *http://www.regulations.gov*. In addition, comments will be available for public inspection and copying at 1700 G Street, NW, Washington, DC 20552, on official business days between the hours of 10 a.m. and 5 p.m. Eastern Time. You can make an appointment to inspect the documents by telephoning 202-435-7275.

All comments, including attachments and other supporting materials, will become part of the public record and subject to public disclosure. **Sensitive personal information such as account numbers or Social Security numbers should not be included.** Comments will not be edited to remove any identifying or contact information.

FOR FURTHER INFORMATION CONTACT: For general inquiries, submission process questions or any additional information, please contact Monica Jackson, Office of the Executive Secretary, at 202-435-7275.

SUPPLEMENTARY INFORMATION:

Background

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress directed the Consumer Financial Protection Bureau (CFPB) to conduct a study on reverse mortgages.[3] In designing the study, the CFPB's objectives were to (1) provide an authoritative resource on reverse mortgage products, consumers, and markets; (2) identify and assess consumer protection concerns; and (3) explore critical unanswered questions and update the public body of knowledge to reflect new market realities. On June 28, 2012, the CFPB released the findings of the study in a Report to Congress (the Report).

The study identified four major topics where additional research would help determine if additional consumer education or regulatory action is needed. Those topics are: (a) factors influencing consumer decisions; (b) consumer use of reverse mortgage proceeds; (c) the longer-term outcomes of reverse mortgages; and (d) the differences in market dynamics and business practices among the broker, correspondent, and retail channels. This request seeks comment and information from the public on these topics.

Request for Information

The Bureau seeks information from the public, including consumers, housing counselors, financial institutions, and others, regarding consumer use of reverse mortgages and consumer experiences during the reverse mortgage shopping process. This information will enable the

[3] *Id. at* § 1076(a).

Bureau to better understand and evaluate potential consumer protection issues raised by reverse mortgages and the shopping process.

The questions are grouped into four broad topics: (a) factors influencing consumer decisions, (b) consumer use of reverse mortgage proceeds, (c) the longer-term outcomes of reverse mortgages, and (d) the differences in market dynamics and business practices among the broker, correspondent, and retail channels.

You may respond to all of the questions or only some questions. Please note the number of any question to which you are responding at the top of each response. If your responses are specific to a particular reverse mortgage product option (e.g., fixed-rate, lump-sum vs. adjustable-rate, line-of-credit products), please note in your response to which product your response relates.

Please note that the Bureau is not seeking personally identifying information (PII) in response to this request. Responses to this request should not contain any reverse mortgage account numbers, Social Security numbers or other personal information that could be used to identify an individual consumer or account, nor should they include any information that may otherwise reveal personally identifiable information.

Factors influencing consumer decisions:

1. What factors are most important to consumers in deciding whether to get a reverse mortgage?
2. What factors are most important to consumers in choosing among products? Among other things, comments could address the choice between fixed-rate, lump-sum reverse mortgages and adjustable-rate, line-of-credit or monthly disbursement reverse mortgages.
3. What factors are most important to consumers in choosing among potential lenders?

Consumer use of reverse mortgage proceeds:

4. Nearly 75% of recent reverse mortgage consumers took out all of their available funds upfront in a lump sum.
    a. What do consumers do with these funds?
    b. Where do consumers place loan money that they do not use immediately? (E.g., in a savings account, an investment account, a certificate of deposit (CD), etc.).
5. Some reverse mortgage consumers use reverse mortgage loan funds to refinance a traditional mortgage or home equity loan/line of credit.
    a. What proportion of consumers are using reverse mortgage loan funds to refinance a traditional mortgage or home equity loan/line of credit?
    b. What proportion of the loan funds are typically spent on paying off an existing mortgage?
    c. Do consumers using a reverse mortgage to refinance an existing mortgage typically consider other options first (e.g. moving to a different home or a traditional refinancing)? If not, why not? If so, what factors lead them to choose a reverse mortgage instead?
6. Some reverse mortgage consumers use reverse mortgage loan funds to consolidate non-housing debts.
    a. What proportion of borrowers use reverse mortgage loan funds to consolidate non-housing debts?
    b. What proportion of the loan funds are typically spent on consolidating non-housing debts?

c. What types of non-housing debts are typically consolidated (e.g. credit card, auto, medical-related debt, etc.)?

Longer-term outcomes for reverse mortgages borrowers:

7. Consumers typically pay off their reverse mortgage loans earlier than would be expected based on underlying mortality rates.
   a. Why do consumers typically pay off their reverse mortgage loans early?
   b. Do consumers anticipate being able to pay off a reverse mortgage at a specific time (e.g. upon receiving a pension or retirement benefit) when taking the reverse mortgage loan?
   c. Do consumers who pay off their loans early typically feel that the loan was a good choice? Are there things they wish they had done differently?
8. Some consumers pay off a reverse mortgage upon moving out of a home.
   a. Why do consumers decide to move? Are such moves typically because the move is planned in advance or because the move is required for health or other reasons?
   b. How do reverse mortgage borrowers finance a later move?
9. What are the typical outcomes for borrowers who still have the loan after 5 years or more?
   a. Does the loan continue to meet borrowers' financial needs 5 or more years after origination?
   b. If borrowers have drawn all of their available funds, what financial resources do they use to meet new or unexpected expenses?
   c. Do borrowers who still have the loan after 5 or more years typically feel that the loan was a good choice? Are there things they wish they had done differently?

The differences in market dynamics and business practices among the broker, correspondent, and retail channels:

10. How are brokers, correspondent lenders, and retail loan officers typically compensated?
    a. How does this compensation differ by channel?
    b. How do compensation structures and regulatory requirements (e.g., mortgage loan originator compensation rules) affect the business practices of lenders and brokers?
    c. How do these factors affect the choices presented to consumers?
11. The Bureau has observed that major large bank originators of reverse mortgages tended to originate a far higher percentage of adjustable-rate, line-of-credit (or monthly-installment) loans than the nonbank originators. What explains this difference?

Dated: June 25, 2012.

Garry Reeder,

Acting Chief of Staff, Bureau of Consumer Financial Protection.