



December 23, 2010

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Re: Regulation Z: Docket No. R-1390  
Truth in Lending

Dear Secretary Johnson:

One Reverse Mortgage (“One Reverse”) is pleased to submit its comments on the proposed changes in rules regarding open and closed-end reverse mortgages.

By way of background, One Reverse Mortgage was founded in 2001, and became part of the Quicken Loans family of companies in 2007. One Reverse has closed approximately 8,000 reverse mortgages in its history, with more than 3,000 closed in 2010, which ranks in the top four nationally. One Reverse does business in all 50 states, and utilizes the same robust platform, technology, and training that have successfully served Quicken Loans. One Reverse is a HUD-approved, non-supervised mortgagee and is based in San Diego, California, with an additional office in southeastern Michigan.

One Reverse applauds the efforts of the Federal Reserve Board to tackle issues concerning deceptive advertising, reverse mortgage disclosures, and other issues surrounding open and closed-end reverse mortgages. We appreciate the work and effort put forth by the Board to write these rules, and we understand the importance of the issues the Board is addressing. Below you will find our detailed comments on the proposals from the Board.

### **Deceptive Practices**

One Reverse believes that stopping deceptive mortgage practices should be a top priority for the Board. Therefore, we support the Board’s rulemaking as it applies to deceptive mortgage

advertisements. We agree with many of the proposed rules as they relate to advertising issues, but we have some suggestions to improve the proposed rules.

One Reverse believes that some of the rules should be made more stringent. For example, lenders should be required to state that the loan being discussed in an advertisement is actually a reverse mortgage loan. This would help a consumer identify exactly what type of loan or advertisement they were seeing or hearing about. Additionally, the entity responsible for the advertisement should be required to state their relationship with the loan product being advertised. If the advertisement is run by someone other than a lender, this should be explicitly stated along with this outside company's role in the loan process. These steps will help consumers avoid confusion in who they are actually contacting when initially hearing about loan options. We also believe that logos similar to governmental logos—i.e. FHA or HUD—should be eliminated so that a consumer does not think these governmental entities are responsible for and connected to the advertisement.

Lastly, we would like to see some special attention given to radio advertisements. We believe that radio is a unique medium where it is impossible to express all intentions and details in the given timeframe. Unlike television ads, radio does not allow a consumer to read separate information on the screen while the product is being discussed. Without further visual aids, it becomes impossible to state all that is needed in one advertisement. Therefore, One Reverse would like to see a safe harbor given for radio advertisements where companies that are in compliance with all other regulations are allowed to direct consumers to a website containing further information and disclosures about the loan they may be seeking. This way, consumers will still have the added protection of knowing everything they need to about a mortgage, but are not bombarded by a wealth of information in one radio advertisement.

### **Unified Set of Disclosures and Open- and Closed-End Reverse Mortgages**

We applaud the Board for trying to combine reverse disclosures with TILA disclosures. We believe there is room for improvement, though. One Reverse is not certain whether the general TILA disclosures in the proposed rule have been completely combined with the reverse disclosures. We hope that the Board will make clear that the use of single reverse mortgage disclosures is sufficient for reverse mortgages and that further disclosures are not needed.

One Reverse also believes that further clarification will be needed as it relates to the calculation and disclosure of the annual percentage rate on closed-end reverse mortgages. We are concerned about the Board's proposed rule prohibiting a creditor from using estimates in connection with disclosures. Many items of disclosure in connection with closed-end reverse mortgages are not clear under Regulation Z. The loan term in the "tenure" loan is based on the consumer's life expectancy. However, there is no way to know an individual's actual life expectancy. Additionally, it is unclear how a servicing fee set aside is handled in the APR calculation.

Reverse mortgage creditors usually use estimates in making closed end credit disclosures since most reverse mortgage consumers use "tenure"-based loans. While some disclosures are being replaced as part of this proposed rulemaking, creditors still must calculate and disclose an APR that is connected to a reverse mortgage, and the term of the loan may affect the calculation of the APR and other material and non-material disclosures. Also, some closing costs in connection with a mortgage are based upon collateral property value. We know that these costs may not be known until an appraisal is obtained. Therefore, a creditor should be able to estimate costs like these.

Additionally, the Board must also suggest how to deal with money that has been set aside for repairs. Outlawing all estimates cannot be done until these wrinkles have been ironed out.

The Board requests comment on other approaches for disclosing how much the consumer could receive if the consumer has not chosen a payment type. We believe that the Board should allow creditors to disclose a principal limit with a description that the consumer may get the loan proceeds in multiple plans as offered by the loan program. While we know that the choice of payment plan can affect how much a consumer receives, the payment plan itself is not a huge factor in determining loan amounts. Things that are important are age, home value, and interest rate. Therefore, we suggest the above-listed guidance.

One Reverse also believes that it is time to end the distinction between open end and closed-end credit for certain disclosure purposes of reverse mortgages, as we believe that this distinction no longer serves a useful purpose. We believe that open and closed-end reverse mortgages are very similar in most regards, with only small differences in the APR and transaction fees.

## **Key Questions Document**

One Reverse believes that the Board's "Key Questions to Ask about Reverse Mortgage Loans" ("Key Questions") document is a step in the right direction for explaining reverse mortgages to consumers. Despite our support, we believe that the document has room for improvement so that a consumer understands all their options. We would like to see further language added to the Key Questions document that describes the different types of reverse mortgages available, such as HECM and proprietary reverse products. Also, One Reverse hopes that the Board will take steps to more accurately describe the products that are currently available to a consumer. Additionally, we believe that the Key Questions document should not state that reverse mortgages cost more than other loan options. While at one time this was primarily the case, lenders now often pay more of closing fees, thus lowering the cost of the loan, making this statement incorrect in certain situations.

We support the replacement of the table total annual loan cost (TALC) with the new disclosures document ("Reverse Mortgage Loan Summary"), which we believe will help to explain more fully the total costs of a reverse mortgage. We believe the document can be improved with minor changes, however. For example, we would like the Board to remain consistent with the terms used in the document. The current form uses both "consumer" and "borrower" interchangeably to describe potential clients, along with "account" and "loan" interchangeably. We would like these to remain consistent so potential clients avoid confusion.

We also have concerns that the "About this Loan" portion that a creditor must complete on their own. We feel that this section leaves too much leeway for a creditor. Without further guidance and/or proposed wording within this portion, we worry that this could result in inconsistent and potentially confusing information for a borrower. Different creditors may take different approaches to describing certain loans, so we feel proposed language that has been carefully studied by the Board could have a real affect on consistency and clarity for a client.

One Reverse supports basing the loan balance growth table on the initial interest rate in effect at the time the disclosures are provided. But part of the proposed rule states that the creditor would also have to accept that all closing costs are financed by the creditor unless the creditor and consumer have agreed to some other plan. Depending on how the Board approaches this subject,

some closing costs could be treated as finance charges while others are not. We would like to see further explanation in this regard.

### **Counseling**

As it pertains to the counseling provisions of the proposed rule, One Reverse supports the efforts made by the Board. However, we do believe that further looks must be taken into the issues regarding the independence of counselors, and that a safe harbor be given with respect to HUD's publication of counselors, along with the acknowledgment of the state laws that have been created to deal with reverse mortgage counseling.

One Reverse also believes that there should not be a 3-day waiting period after counseling before a lender can impose nonrefundable fees for reverse mortgages. Other rules already exist within the National Housing Act and from FHA that restrict fees related to the completion of counseling. Therefore, we do not see the need for the additional rulemaking on this issue.

We also believe the Board's suggestion that a creditor provide a client with a listing of five counseling agencies when it comes to counseling on proprietary products needs some additional clarification. We believe the list needs to include many different types of agencies since states are often lacking in qualified counselors for specific products. Though some states have enough counselors to fill this requirement, many do not. A varied and broad list will serve both the creditor and the consumer better.

### **Rescission**

One Reverse also seeks clarification about the lack of rescindability when additional non-purchase loan proceeds may be advanced after consummation as it relates to reverse mortgages. We also suggest that creditors be allowed to offer a rescission notice that gives consumers the right to rescind the non-purchase money proceeds of a plan within three days, and that if a consumer does not rescind within this window, that the loan remain non-rescindable for the entirety of the loan's life. The Board should further clarify that future advances for items like servicing fees or on-going mortgage insurance premiums are non-rescindable after the stated 3-day rescission period.

**Conclusion**

One Reverse is pleased to see the steps taken by the Federal Reserve Board to strengthen and clarify their positions and rules as they pertain to reverse mortgages. We believe that with some added work and changes that the rules from the Board will offer a safe and sound base to regulate the reverse mortgage market.

We thank you for the opportunity to comment on these proposed changes. If you have any questions please don't hesitate to contact us. I can be reached at (858) 652-4724 or [GreggSmith@onereverse.com](mailto:GreggSmith@onereverse.com).

A handwritten signature in black ink, appearing to be 'Gregg Smith', with a long horizontal stroke extending to the right.

Gregg Smith  
President and COO  
One Reverse Mortgage