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public agency

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

July 27, 2007

Re: Docket No. OP-1288

Dear Ms. Johnson:

North Carolina Housing Finance Agency staff were unable to attend the Home Equity Lending Market public hearing on June 14, 2007. We are concerned that the existing regulatory and legislative provisions governing reverse mortgages are not adequate to protect customers' interests. Specifically, we are concerned that it is permissible for reverse mortgage borrowers to receive the counseling which is required by statute over the telephone. We would like the Federal Reserve Board to use its authority to require the statutorily-required counseling to be completed face-to-face, not over the telephone.

It is well documented (e.g. in the working paper "Strengthening the Case for Homeownership Counseling: Moving Beyond 'A Little Bit of Knowledge'" published by Harvard's Joint Center for Housing Studies) that phone counseling is the least preferred and effective form of counseling, and face-to-face counseling is the most effective. Also, reverse mortgages are among the most complicated loan products on the market. In this area elderly individuals can easily become confused and make unwise decisions that have very serious financial implications for their futures. Because the product is so complicated, it is important that the consumers receive the type of counseling which is most effective.

Lenders want telephone counseling because they are motivated by "quick sales"; those who receive face-to-face counseling take more time to consider their options, and often delay getting a reverse mortgage until such time as the reverse mortgage is better for them (not when it is best for the lender).

If you have any questions, please contact me or Mary Reca Todd (also of the NC Housing Finance Agency). My telephone number is (919) 877-5600, and my email address is [arkucab@nchfa.com](mailto:arkucab@nchfa.com). Ms. Todd's phone number is (919) 877-5672, and her email address is [mrtodd@nchfa.com](mailto:mrtodd@nchfa.com).

Sincerely,

A handwritten signature in black ink, appearing to read "A. Robert Kucab". The signature is written in a cursive style.

A. Robert Kucab  
Executive Director

Cc Joseph A. Smith, Jr., North Carolina Commissioner of Banks