

From: Housing Action Illinois, Bob Palmer
Subject: Regulation Z - Truth in Lending

Comments:

Date: Dec 20, 2010

Proposal: Regulation Z - Truth In Lending Act
Document ID: R-1390
Document Version: 1
Release Date: 08/16/2010
Name: Bob Palmer
Affiliation: Housing Action Illinois
Category of Affiliation: Other
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

Because of the numerous concerns regarding the proposed rules as they relate to HECM loans, Housing Action Illinois suggest that the CFPB be permitted to reissue a proposed rule addressing the issues in this proposed rule after such study has been made. We have the following specific concerns regarding the proposed rules: Fees: Consistent with current HECM requirements, and in contrast from the proposed rules, creditors should be prohibited from requiring borrowers to advance any funds or pay any fees (except for the counseling fee) prior to receiving counseling. Counseling: To allow counseling to be done under "substantially similar qualification standards" as proposed devalues the established training and certification protocols established by HUD and opens the door to substandard counseling not subject to oversight or validation by any regulatory body. Suitability: Dodd-Frank clearly intends for the CFPB to determine the "suitability" of reverse mortgages. Shifting the liability risk from lenders to counselors, as the rules propose, would not solve the issues related to suitability and clearly would not serve the interest of protecting consumers. Referrals for Counseling: We support the current HECM rules that require creditors to provide the consumer with a list of at least ten unaffiliated counseling agencies, not the lesser requirements in the proposed rules. Defining Consumer: The definition of "consumer" in the proposed rules should be expanded to include not only all parties who will be shown as owners on the property deed of the dwelling securing the reverse mortgage, such as non-borrowing spouses. Advertising: The proposed rule goes too far by allowing creditors, either in advertising or in promotional materials, to use terms that are incorrect (with regard to reverses mortgages) or potentially misleading, as long as the advertising or promotional materials include an "equally prominent and closely proximate statement" that discloses that there are exceptions to the incorrect or misleading statement that either contradict or limit the scope of the incorrect or misleading statement. Anti-Tying: The

proposed rule would extend prohibitions that currently exist under the HECM program on "requiring the purchase of other financial or insurance products" by reverse mortgage lenders. However, it creates a dangerous "safe harbor" of ten days following the consummation of a reverse mortgage loan after which a lender is "deemed to have complied" with this requirement. Recourse Loans: The HECM statute's language indicates the clear intent of Congress to designate HECM loans as non-recourse loans. By including reference to recourse loans in the Rule, the Board is giving tacit approval to recourse loans. Housing Action Illinois is a statewide coalition formed to protect and expand the availability of quality, affordable housing throughout Illinois. Together we empower communities to thrive through three programs: Organizing, Policy Advocacy, and Training and Technical Assistance. Our members include housing counseling agencies, homeless service providers, developers of affordable housing and policymakers.