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INDEPENDENT REGULATORY  
REVIEW COMMISSION

August 14, 2007

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DEPARTMENT OF BANKING  
LEGAL SECTION

**Pennsylvania Department of Banking**  
**Attn: Office of Chief Counsel**  
17 North Second Street · Suite 1300  
Harrisburg, PA 17101  
Fax: (717) 783-8427

Re: Comments on Proposed Regulations Title 10, Part IV, Chapter 46: Proper Conduct of Lending and Brokering in the Mortgage Loan Business.

Dear Pennsylvania Department of Banking,

After reviewing the above referenced proposed regulations, it appears that several of the provisions would prohibit licensees from offering reverse mortgage loans, which are a valuable tool for senior homeowners. While we understand the importance of introducing regulations designed to better protect and inform borrowers in an increasingly complicated mortgage environment, reverse mortgages do not fit the mold of traditional mortgages, and it would be unfortunate to approve regulations which would prohibit reverse mortgage products, including the FHA-insured Home Equity Conversion Mortgage, in the process.

A reverse mortgage allows elderly borrowers to convert a portion of their home's equity into non-taxable income, with no monthly repayments required. The loan becomes due in one lump sum after the last surviving borrower no longer lives in the property as a primary residence. There are no income or credit qualifications for the borrower, as the property serves as the sole collateral for the loan. Reverse mortgages are non-recourse loans, which means that the borrower will never owe more than the market value of the home. Additionally, all reverse mortgage programs require the borrowers to receive mortgage counseling from an independent third-party counseling agency to ensure they are informed of their options.

Because of the unique features of reverse mortgage loans, the provisions of the proposed regulations, such as: a) requiring evaluation of the borrower's ability to repay [46.2(e)(1)]; b) prohibiting the licensee from relying on the sale of the collateral for repayment [46.2(e)(4)]; and c) prohibiting a licensee from advising an applicant that the applicant's income is not relevant to the loan transaction [46.2(f)(1)] are contradictory to the terms of a reverse mortgage loan.

**Bank of America**



In conclusion, we trust that the proposed regulations, which are intended to ensure the proper conduct of lending and brokering, were not intended to prohibit reverse mortgage lending. Therefore, we respectfully request that reverse mortgage loans be made exempt from the proposed regulations.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'John S. Nixon', written over a faint, larger version of the signature.

John S. Nixon  
Reverse Mortgage Sales and Operations Executive

Cc: Independent Regulatory Review Commission ([irrc@irrc.state.pa.us](mailto:irrc@irrc.state.pa.us))

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