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INDEPENDENT REGULATORY
REVIEW COMMISSION

1400 16th Street, NW
Suite 420
Washington, DC 20036
Tel. 202.939.1760
Fax. 202.266.4435
www.nrmlaonline.org

August 17, 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: Public Comments with Regard to Proposed Regulations Relating to Proper Conduct of Lending and Brokering in the Mortgage Loan Business

Dear Chief Counsel,

We write to comment on your proposed regulation entitled, "Proper Conduct of Lending and Brokering in the Mortgage Loan Business." While we commend your efforts to protect Pennsylvania consumers, we believe the regulation as currently drafted may prohibit mortgage bankers and brokers from providing reverse mortgage products, including the federal Home Equity Conversion Mortgage.

The specific areas of concern include:

1. Proposed Section 46.2(e)(1): requires the licensee to determine that the borrower has the income and ability to repay the loan;
2. Proposed Section 46.2(e)(4): states that the licensee may not rely primarily on the sale of the collateral for repayment; and
3. Proposed Section 46.2(f)(1): states that the licensee may not imply that an applicant's income is irrelevant to the loan transaction.

As you know, reverse mortgages enable senior homeowners to convert part of the equity in their homes into tax-free income without having to sell, move, give up title, or take on new monthly mortgage payments. Borrowers are never, under any circumstances, forced to leave their homes providing they continue paying property taxes and insurance.

Borrowers can choose to receive funds as a lump sum, fixed monthly payments (for up to life), line of credit, or as a combination of these. No mortgage payments are due during the life of the loan. Borrowers can use the funds anyway they wish. The loan is repaid when the borrower sells the home or permanently moves out.

Nationwide, in 2006, more than 76,000 seniors—almost double the number from the previous year—used reverse mortgages to pay off existing debts, fund health care expenses, pay for modifications to make their homes safer and more comfortable, or simply to create an income stream that provided additional cash and peace of mind. More than 3,000 reverse mortgages have been originated in Pennsylvania thus far this year, compared to 1,925 in 2006.

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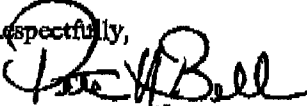
As monthly repayments of principal and interest are not required under a reverse mortgage, the income and ability of the borrower to make monthly payments is not a concern. Monthly payment of taxes and insurance may be required under the loan documents. Reverse mortgages are also non-recourse loans, meaning neither the borrower nor the borrower's estate will ever owe more than the value of the property. A deficiency judgment cannot be taken against the borrower or estate because there is no personal liability for payment of the reverse mortgage loan balance.

Given the foregoing, we respectfully request that reverse mortgages be made exempt from the proposed regulations by adding the following as Subsection (iii) to the definition of "Loan" under

proposed Section 46.1: *"The term does not include a reverse mortgage."*

Thank you for your consideration in this matter.

Respectfully,



Peter Bell, President
National Reverse Mortgage Lenders Association