February 16, 2010

Paul Sanford
Executive Secretary
Federal Financial Lenders Examination Council
L. William Seidman Center
Mailstop: D 8073a
3501 Fairfax Drive
Arlington, Virginia 2226-3550

Re: Docket No. FFIEC-2009-0001
Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks

Dear Secretary Sanford:

One Reverse Mortgage is pleased to submit its comments on the Federal Financial Lenders Examination Council (FFIEC)'s December 11, 2009 reverse mortgage products: guidance for managing compliance and reputation risks.

One Reverse Mortgage was founded in 2001, and became part of the Quicken Loans network of companies in 2007. One Reverse has closed over 5,000 reverse mortgages, and closed 3,129 in 2009, which ranks in the top five nationally. One Reverse does business nationally, 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 supports much of the guidance offered in the FFIEC's guidance for managing compliance and reputation risks. In particular, we feel strongly that reverse mortgage lenders must ensure that consumers understand every aspect of the reverse mortgage transaction so that they may make an informed and educated decision regarding a reverse mortgage. However, we have concerns with the suggested guidance points surrounding the qualified independent counseling. We believe that the requirements for "in person" counseling and the proposed manner in which consumers would go about acquiring an independent counselor would be cumbersome and counter-productive. Also, we note that HUD has issued new regulations governing counseling, and it seems that the FFIEC's recommendations are either inconsistent with these regulations or simply unnecessary at this point. Finally, while we agree that lenders should not obligate consumers to purchase further products in conjunction with reverse mortgages, we don't think consumers should be *prohibited* from purchasing other products along with a reverse mortgage.

Below are our specific comments in response to the suggested guidance by the FFIEC.

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1. Communications with Consumers

Suggested Guidance:

The FFIEC would like to adequately provide accurate information to customers. Lenders should take steps to manage compliance and reputation risks by giving customers as much information as possible to allow them to make informed decisions when selecting financial products. Lenders should review their marketing strategy to ensure that all information is portrayed accurately and clearly. Marketing and promotional materials should not contain misleading information about product features, loan terms, or product risks, or about the borrower's obligations with respect to taxes, insurance, and home maintenance. Agencies will evaluate potential misleading marketing materials and take appropriate action if necessary.

Lenders should also be attentive to the timing, content, and clarity of all information presented. Clear and concise product descriptions should be made available when a consumer is in the market for a reverse mortgage that describes all information related to the reverse mortgage.

Comments:

One Reverse agrees that clear and concise information must be presented to the consumer along every step of the mortgage acquisition process. At no point should a lender use deceptive practices to exploit a consumer into taking a reverse mortgage loan. Information should be clearly and concisely presented to every consumer so that they have all of the necessary information to make an informed and educated decision regarding their reverse mortgage. One Reverse Mortgage agrees that all marketing strategies should appropriately discuss the benefits and drawbacks to reverse mortgage loans within reason to the size and type of marketing used. For instance, while it's not possible to include every benefit and drawback in a 60-second advertisement for, it is possible to provide each client with written or verbal information once they call or engage with a mortgage banker.

2. Qualified Independent Counseling

Suggested Guidance:

The FFIEC suggests that to promote consumer understanding and to manage compliance risks, mortgage lenders offering proprietary products should require that the consumer undergo counseling from qualified independent counselors before the consumer submits an application for a reverse mortgage loan or pays an application fee. To ensure the independence of counselors, lenders should adopt policies that prohibit them from contacting a counselor on the consumer's behalf, including preventing lenders from contacting a counselor on behalf of the consumer to discuss specific interactions and the timing of counseling sessions. The FFIEC also suggests that lenders should strongly suggest "in person" counseling and that the consumers' family members attend such counseling. As a

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general matter, the FFIEC suggests that qualified independent counselors should provide adequate time to discuss these matters in detail and to address questions raised by the consumer, as well as discussing all other potential options for the consumer.

Comments:

One Reverse agrees that the counseling service aspect of acquiring a reverse mortgage loan is very important. HUD requires that all applicants receive third-party counseling to explain all the available options and details of a reverse mortgage and how a reverse mortgage would affect their financial situation. The following HUD Mortgagee letters address the issue of loan counseling on reverse mortgages:

1. **HUD Mortgagee Letter 2008-28:** Prohibits the lender from paying for the counseling session so as to eliminate any perceived lender influence over the counselor.

2. **HUD Mortgagee Letter 2009-10:** Prohibits the lender from recommending a counseling agency to a senior, and prohibits a lender from assisting with the scheduling of a counseling session. So the lender must remain completely "hands off" with respect to the entire counseling process. The consumer must initiate communication with the counselors on their own. The lender must provide a list of no less than 10 total counselors, five of which must be local and the other five national agencies which are specified in the mortgagee letter. The mortgage lender has no input as to the five national agencies. The purpose of this mortgagee letter is to eliminate any perceived lender steering of the consumer to a particular counselor.

3**. HUD Mortgagee Letter 2009-47:** Standardizes the counseling session, counseling agency and counselors. All counselors must be HUD-approved and must pass a rigorous entry exam. They must attend additional education classes every two years and counselors are re-tested every three years.

While these mortgagee letters provide some degree of protection for consumers, we feel the current process could be improved. In particular, the requirement that lenders provide the consumer with the five national counseling agencies specified by HUD as well as five local counseling agencies is very cumbersome for these counseling agencies have not demonstrated the ability to efficiently manage the counseling process.

These agencies are lagging far behind and performing at an unsatisfactory level with respect to customer service. When the consumer calls the agencies, they will most likely not get a counseling appointment scheduled right away. Rather (1) they are often put on hold, or told to leave a message, and sometimes will not receive a return call; (2) even if the consumer gets through, the person they speak with will not be able to schedule the appointment for them—rather, they will tell the consumer that they will receive a call from the "scheduler" within a few days; (3) later, the consumer will get a call from the scheduler to choose a date; (4) then again, later, the actual counseling will occur. This is a very long and needlessly cumbersome process.

The local counselors' service parallels that of the five national counseling agencies. Unfortunately, the agencies are simply not prepared to handle the large volumes they are seeing today.

Not only is this process long and cumbersome, but the fact that the lender no longer plays a role in the counseling process means that the lender no longer has the ability to monitor the consumer's progress. The lender doesn't know if the session has been scheduled, if it has been completed, etc. The lender is "flying blind" and doing the consumer a disservice. Specifically, the proposed counseling process presents a heavy burden on the consumer that creates a variety of obstacles including significant follow up with the counselor to secure appointments and documentation. It would be much more efficient to allow the lender to work as an advocate on the consumer's behalf by securing the appointments and documents, removing this burden from the consumer. We believe that providing these industry guidelines and standards will allow the lender to reengage in the counseling process.

We recommend that the lender be permitted to facilitate the meeting between the counseling agency and the consumer or to schedule a meeting with a HUD-certified counselor. The strong counseling agencies that provide superior service would thrive. Consumers would not feel lost in the maze of the reverse mortgage process.

We would also like to see more than five counseling agencies approved at the national level. It is clear that that number of agencies is insufficient and that more agencies would create more competition, more capacity and result in a better experience for the borrower. We also recommend that lenders be given access to use FHA Connection to monitor the counseling process. This would allow for transparency throughout the counseling process, resulting in a better experience for the borrower.

With respect to the issue of "in person" counseling, our concern is that there are simply not enough HUD-approved counselors to satisfy the demand. Further, the majority of consumers actually prefer telephone counseling.

3. Avoidance of Potential Conflicts

Suggested Guidance:

The FFIEC suggests that lenders take all the necessary steps to eliminate the chance of a potential conflict of interest. This would mean that the lender cannot obligate the consumer to purchase any other product from the lender in connection with the reverse mortgage loan. The FFIEC also suggests that lenders should not refer a consumer to a broker that could provide a similar product or annuity. The FFIEC further suggests that lenders should adopt clear compensation policies to guard against other inappropriate incentives for loan officers and third parties, such as mortgage brokers and correspondents, to make a loan.

Comments:

One Reverse believes that no consumer should be obligated to purchase another product connected with a reverse mortgage loan. This is not so much a matter of conflict of interest as it is a problem with coercion. No client should be forced to purchase or wrongfully pushed into purchasing a connected product. Purchasing a reverse mortgage loan should be something that can be done independently of other products. We understand the FFIEC's concern that a lender might offer a reverse mortgage to a consumer, and then immediately coerce the consumer into purchasing a product with the proceeds from the reverse mortgage, and we do not support this practice.

However, this should not mean that a lender should be prohibited from merely *offering* other products at the time of purchasing a reverse mortgage loan that the consumer is free to choose to decline. There are many products, such as homeowner's insurance or an AARP membership, that a lender may be able to provide and that the consumer may be interested in. There is no reason to prohibit the lender from offering such products. Offering similar products with the lenders' partners can save the consumer money and help them make informed decisions regarding their newly acquired money.

4. Policies, Procedures, and Internal Controls

Suggested Guidance:

The FFIEC suggests that lenders have policies and procedures in place to address the concerns expressed in the above-referenced guidance. Also, lenders should have effective internal controls to monitor whether the actual practices of the institution are consistent with the procedures related to reverse mortgages. Proper education and training should be provided to all individuals to provide accurate information to consumers and to ensure that internal procedures and policies are being complied with. These findings should be reported to relevant management. Additionally, lenders' legal and compliance reviews should include oversight of compensation programs to ensure that lending personnel are not improperly encouraged to direct consumers to particular products.

Comments:

One Reverse agrees that strong internal policies and procedures are key to enforcing the needed guidance of lenders. One Reverse has always had effective internal control to monitor and enforce the requirements of reverse mortgages, and we believe that this practice should continue with all lenders.

5. Third Party Risk Management

Suggested Guidance:

When making, purchasing, or servicing reverse mortgages through a third party, lenders should take steps to manage the compliance and reputation risks presented by such relationships. These steps would include: (1) conducting due diligence and establishing criteria for entering into and maintaining relationships with third parties; (2) establishing criteria for third-party compensation that are designed to avoid providing incentives for originations inconsistent with the institution's policies and procedures; (3) setting requirements for agreements with such third parties; (4) establishing internal control procedures and systems to monitor ongoing compliance with applicable agreements, institution policies, and laws and regulations, and (5) implementing appropriate corrective actions in the event that the third party fails to comply with such agreements, policies, or laws and regulations. Additionally, lenders should structure third party relationships so as not to contravene RESPA's general prohibition against paying or receiving any fee or other thing of value in exchange for the referral of business related to reverse mortgages. Also, lenders should not accept fees from any third party without providing appropriate services to warrant any such fee.

Comments:

One Reverse agrees with this guidance. Steps should be taken to ensure that third parties are in accordance with the other suggested guidance to protect the consumer. One Reverse believes that third party relations should be handled with due diligence, and that third parties should act like the institution they are in connection with, including abiding by all institution policies, guidelines, and rules, and that steps should be taken by the institution to ensure these as such.

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 734-805-7444 or jayfarner@onereverse.com.

Jay Farner
CEO
One Reverse Mortgage