

NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

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NEWS RELEASE

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Seniors Considering Reverse Mortgages to Benefit Greatly from Housing Legislation

Washington, D.C. – Landmark housing legislation (H.R. 3221) passed by Congress this weekend will make substantial improvements to the federally-insured reverse mortgage program and greatly benefit senior homeowners who may want to utilize home equity to help finance their retirement years.

“Instantly, reverse mortgages have become a more viable retirement finance option for a broader audience of seniors who could receive higher benefits at a lower cost,” said Peter Bell, president of NRMLA. During the last federal fiscal year, ending September 30, more than 107,000 homeowners took out a reverse mortgage, compared to 76,351 the year prior and 7,781 in 2001.

Improvements to the Federal Housing Administration (FHA)-insured Home Equity Conversion Mortgage (HECM) program, which will take approximately 60-90 days to implement, include:

1. A single national loan limit of \$417,000 that can increase up to as much as \$625,500 in high cost areas. (Currently, limits vary by county and range from \$200,160 to \$362,790.)
2. Ability to use FHA insured reverse mortgages to purchase homes.
3. Ability to get a HECM on a co-op property.
4. Reduced origination fees of 2% on the initial \$200,000 of maximum claim amount (lesser of the home value or county lending limit) and 1% on the balance thereafter with a cap of \$6,000. (Lenders' fees are currently capped at 2% of maximum claim amount.)
5. Prohibitions on requiring the purchase of annuities and other financial products.
6. Restrictions around cross selling financial products.
7. Requirements on counseling protocols, funding and practices that promote independence and quality in counseling.

“Seniors recognize the value of using reverse mortgages to access the wealth they have accumulated in their homes to pay off existing mortgages and other debts (thus avoiding foreclosure in some situations), pay for healthcare, make needed repairs, or to supplement

retirement income,” added Bell.

Reverse mortgages are becoming a more mainstream financial planning tool for older homeowners. A reverse mortgage enables older homeowners (generally age 62+) to convert part of the equity in their homes into income without having to sell the home, give up title, or take on a new monthly mortgage payment. The reverse mortgage is aptly named because the payment stream is “reversed.” Instead of making monthly payments to a lender, as with a regular mortgage, a lender makes either one or more payments to the borrower. The loan is repaid when the borrower moves out of the property.

About NRMLA

National Reverse Mortgage Lenders Association (NRMLA) represents the reverse mortgage industry, serving as an educational resource, policy advocate and public affairs center for lenders and related professionals. NRMLA was established in 1997 to enhance the professionalism of the reverse mortgage business. For more information, visit www.nrmlaonline.org.

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