



2023 NRMLA WESTERN REGIONAL MEETING

National Reverse Mortgage Lenders Association
Irvine, California
June 6, 2023

**WEINER
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KIDER^{PC}**

LIBOR Transition - ML 2023-09

**Appraisal Bias - Reconsideration of
Valuations**

Questions

ML 2023-09 – LIBOR Transition

What is LIBOR?

Why is it ending?

What is its replacement?

How does SOFR differ from LIBOR?

How are HECMs impacted?

What is LIBOR?

London Interbank Offered Rate - a reference rate for financial contracts and as a benchmark to gauge funding costs and investment returns for a broad range of financial products.

Why is it ending?

Market Manipulation

Declining Sample Size

What is its replacement?

Secured Overnight Financing Rate (SOFR)

How does SOFR differ from LIBOR?

Daily Rate

Pure Transaction Data

Default Risk Free

How are Existing HECMs impacted?

Annually Adjusting LIBORS = 12-Month CME TERM SOFR

Monthly Adjusting LIBORS = 1-Month CME TERM SOFR

Interest Rate = Index in effect 30 days prior to the interest rate change date, PLUS Spread provided in the Note.

How are New HECMs impacted?

- Index value can never be below 0.
- Monthly Adjustable may only be offered if Annual Adjustable also offered.
- Lifetime Caps may not be more than 10% above initial note rate.
- New Model HECM Adjustable Note – mandatory for Case Numbers assigned on & after 7/1/2023.

Appraisal Bias/ROVs

PAVE Report – Interagency Task Force on Property Appraisal and Valuation Equity

Discrimination under FHA and ECOA

FHA Info 2023-01 – Draft ML re ROVs

CFPB 10/6/2022 Blog Post – Reconsideration of Value Process

ROV Policies & Procedures

PAVE Report – Action Items

“CFPB will encourage lenders to provide Borrowers with information on the available means to reconsider valuations that Borrowers believe to be inaccurate.”

“HUD will require FHA lenders to track usage and outcomes of ROVs and to report this data to FHA via FHA systems.”

“HUD will update FHA policy to notify borrowers, before loan closing, of their ability to speak with their lender to request an ROV.”

Discrimination Prohibitions

- Fair Housing Act
- Equal Credit Opportunity Act & Reg B
- Dodd Frank Act (UDAAP)
- State Anti-Discrimination Laws
- 24 CFR Section 100.135(d)(1)

Disparate Treatment vs. Disparate Impact

Disparate Treatment – Treating someone differently because they are a member of a protected class. (Requires Discriminatory Intent)

Disparate Impact – Resulting from a neutral policy or practice disproportionately impacts a protected class unless the neutral policy meets a legitimate business need that is not achievable by less disparate means. (Does not require Discriminatory Intent)

FHA's Enhanced ROV Policy (Proposed)

On January 3, 2023, FHA issued FHA Info 2023-1 titled: FHA Seeks Feedback on Draft of Enhanced Policy to Support Request for Reviews of Appraisal Results

Issued in conjunction with a draft mortgagee letter to strengthen “safeguards against unlawful discrimination in residential property valuations.”

Purpose is to improve the process when borrowers “request an ROV on a property if the initial valuation is lower than expected, there is indication of illegal bias, Fair Housing regulations have been violated or unlawful discrimination has been identified.

FHA's Enhanced ROV Policy (Proposed)

Key Highlights from the draft mortgagee letter Background Section:

“FHA is adding a disclosure to the Homebuyer’s Copy of Form HUD-92800.5B Condition Commitment Direct Endorsement Statement of Appraised Value” concerning the option to request a review of the appraisal results.

“FHA is adding mandatory fields to the HECM Insurance Application screen to collect information related to Borrower-initiated requests for review of appraisal results

FHA's Enhanced ROV Policy (Proposed)

Key Highlights from the draft mortgagee letter's Handbook revisions:

Material deficiency examples include indications of unlawful bias.

Update to underwriter appraisal quality review requirements.

Updates Reconsideration of Value Handbook section.

Adds new section titled "Borrower Request for Review of Appraisal Results."

Updates General Appraisal Requirements section regarding ROV request

CFPB Blog Post - October 6, 2022

“Mortgage Borrowers Can Challenge Inaccurate Appraisals Through Reconsideration of Valuation Process”

Highlights from CFPB Post:

“When lenders provide borrowers with clear, plain-language notice of reconsideration of value opportunities, lenders help ensure that their reconsideration of value process is nondiscriminatory.”

“Lenders that fail to have a clear and consistent method to ensure that borrowers can seek a reconsideration of value risk violating federal law.”

Concluding Thoughts on ROVs

- A well-designed ROV policy will help prevent discriminatory appraisals;
- Disclosing ROV options to borrower is preferable and becoming necessary; and
- A robust ROV policy will help reverse mortgage lenders potentially avoid and help defend against government enforcement investigations and consumer appraisal discrimination complaints.

Questions?

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