



2023 NRMLA SOUTHERN REGIONAL MEETING

National Reverse Mortgage Lenders Association
Austin, Texas
July 13, 2023

**WEINER
BRODSKY
KIDER_{PC}**

Regulatory Compliance: A Two-Part Business Opportunity

- I. As an Industry: With HUD (through NRMLA)
- II. As a Company/Loan Originator:
 - With Consumers (Alongside “Knowledge”)

**I. Regulatory Compliance, NRMLA
and HUD**

A. Compliance as a HUD
Requirement

B. Compliance as an
Industry/NRMLA Opportunity

Key: The Reverse Mortgage
Stabilization Act (RMSA)₃

The Stability Act (RMSA): NRMLA's “Secret Sauce”

- Quick
- Smart (Drafting Table)
- Broad (Multiple Examples)
- Liquidity

II. Regulatory Compliance, Loan Originators and Consumers

- A. Compliance “Knowledge” as a Trusted Advisor**
- B. Compliance Knowledge
 - Current Updates****

Current Compliance Updates

- LIBOR Transition
- Appraisals: Fairness and Automation
- State Law Matters
- Industry (NRMLA) “Ethics”

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.

Key Takeaway:

A Trusted Advisor Should Know At Least These
LIBOR and SOFR Basics

Appraisals: Fairness and Automation

A. Background

- PAVE Report – Interagency Task Force on Property Appraisal and Valuation Equity
- Discrimination under FHA and ECOA
- CFPB 10/6/2022 Blog Post – Reconsideration of Value Process
- AVMs

B. More Details

“The “Appraisal Bias” Panel That Will Follow, with Elly Johnson and Erik Morin

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

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)

2023 NRMLA SOUTHERN REGIONAL MEETING

Regulatory Compliance Update

Disparate Treatment:

Real World Appraisal Bias Examples

- California
- Connecticut
- Indiana

Disparate Impact: Also Real, More Subtle

2023 NRMLA SOUTHERN REGIONAL MEETING

Regulatory Compliance Update

Key Takeaway:

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.”

2023 NRMLA SOUTHERN REGIONAL MEETING

Regulatory Compliance Update

State Law Matters

NRMLA State and Local Committee

- Goal
- Recent “Wins” (Utah, Massachusetts and Colorado)

2023 NRMLA SOUTHERN REGIONAL MEETING

Regulatory Compliance Update

Industry (NRMLA) Ethics

- NRMLA Code of Ethics and Professional Responsibility
- NRMLA Ethics Committee
- Compliance Considerations
- “Bona Fide Advantage”
- “In or Out”

Key Takeaway:

**Trusted Advisors Know “What’s Up” In
Compliance**

Questions?

Comments?

THANK YOU!!

JAMES A. BRODSKY

brodsky@thewbkfirm.com

WEINER BRODSKY KIDER PC

1300 19th Street, NW., 5th Floor

Washington, DC 20036

Phone: 202-628-2000 Fax: 202-628-2011

www.thewbkfirm.com

