MORTGAGE BANKERS ASSOCIATION

September 12, 2016

Regulations Division, Office of General Counsel
Department of Housing and Urban Development
451 7th Street S.W., Room 10276
Washington D.C. 20410-0500

RE: Docket No. FR-5353-N-02

Dear Regulations Division,

The Mortgage Bankers Association (MBA)[1] thanks the Department of Housing and Urban Development (HUD) for its efforts in developing its proposed rule to strengthen the Federal Housing Administration's (FHA) Home Equity Conversion Mortgage (HECM) Program. As demographics change and America begins to age at an increased rate, MBA recognizes the growing importance of access to credit and affordable options to support America's seniors in establishing or maintaining their homes for the duration of their lifetime. MBA appreciates the opportunity to provide additional comments on HUD's most recent supplemental notice of proposed rulemaking (Proposed Rule) regarding the mortgagee's option to file a claim when the HECM loan balance reaches 98 percent of the maximum claim amount.

MBA recommends that HUD maintain its current assignment election option, rather than require mortgagees to assign a HECM loan to HUD when the loan reaches 98 percent of the maximum claim amount. Though MBA understands FHA's efforts to enhance its risk management and assessment mechanisms, there are instances in which some HECM loans may not be assignable when the loan balance reaches 98 percent of the maximum claim amount because the loan is either in due and payable status or in default and may not be assigned while "uncured." This presents the possibility that while the loan is being "cured" (if curable) through loss mitigation efforts, etc. the unpaid loan balance may exceed 98 percent or 100 percent. As a result, it is important for HUD to clarify: (1) whether a servicer must attempt to assign an eligible loan under these circumstances; (2) whether the servicer will be forced to take a loss if they miss the required assignment threshold due to a loan in due and payable status or in default; and (3) whether the consequences of a failure to assign will result in a curtailable event. These considerations become more significant in situations where a servicer is faced with a HECM loan in default and the loan is near the 98 percent maximum claim amount. In some cases, this requirement may act as a disincentive for servicers to pursue loss mitigation efforts, ultimately harming the borrowers that the program seeks to support.

Therefore, MBA recommends that HUD maintain its current guidelines regarding a mortgagee's election of assignment. Currently, most if not all servicers already opt to timely assign HECM

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

loans when the maximum claim amount reaches 98 percent. This is due in substantial part to Ginnie Mae guidelines for loans pooled into Ginnie Mae HMBS securities, which require issuers to buy out HECM loans when they reach 98 percent of the maximum claim amount. These repurchases impose demanding capital requirements upon issuer-mortgagees, and subsequently cause servicers to seek the assignment of these loans to HUD as soon as possible. This regular and customary practice already supports FHA in its risk management objectives, while a mandated threshold has the potential to cause unintended consequences for both borrowers and servicers.

Should HUD determine that it is necessary to mandate assignment, MBA recommends that HUD consider the creation of an "assignable window" within which a servicer may assign a HECM loan to HUD once a HECM becomes assignable. This would provide additional flexibility for servicers who may be unable to assign when a HECM loan reaches 98 percent of the maximum claim amount, as discussed above.

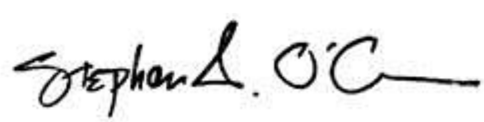
MBA also seeks further clarity on whether a servicer can or should assign a HECM loan if a sale of the home is pending and whether a servicer may assign a loan with a loan balance in excess of 100 percent if the sale ultimately falls through. In both instances, this may cause an undue burden on an older borrower who is attempting to sell their property due to a life event or changed circumstance.

MBA greatly appreciates FHA's significant efforts to revise and streamline the HECM program to enhance its reverse mortgage options for senior borrowers and urges FHA to consider our recommendations above. MBA also recognizes that there are notable differences between the servicing of forward and reverse mortgages and there are often more responsibilities associated with the foreclosure of a reverse mortgage. To better accommodate the reverse program's unique needs, MBA welcomes the opportunity to work with FHA staff to discuss these differences in further detail.

FHA plays a critical role in creating access to affordable mortgage credit for many homebuyers with limited financial options and MBA values the importance of FHA's forward and reverse mortgage programs. We welcome the opportunity to work with FHA to further improve its program to ensure loan quality and fairly hold lenders accountable without jeopardizing the financial stability and viability of the FHA program.

Should you have questions or wish to discuss these comments, please contact Tamara King, Vice President of Residential Policy and Member Engagement, at (202) 557-2758 or TKing@mba.org or Katherine Tung, Policy Advisor of Residential Policy, at (202) 557-2870 or KTung@mba.org.

Sincerely,



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