

In the Wake of HUD Major Policy Change on Non-Borrowing Spouses, National Consumer Law Center Attorney to Testify on September 25 before U.S. House on Risks to Elders from Reverse Mortgage Abuses

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National Consumer Law Center attorney Sarah Bolling Mancini's full testimony will be available by 2 pm ET on September 25 at: <http://bit.ly/testimony-mancini>

Washington, D.C.- **National Consumer Law Center attorney Sarah Bolling Mancini** will testify on Wednesday, September 25 at 2pm E.T. before the U.S. House Financial Services Committee Housing, Community Development, and Insurance Subcommittee at a hearing entitled "Protecting Seniors: A Review of the FHA's Home Equity Conversion Mortgage (HECM) Program."

The hearing follows a major policy shift by HUD announced on Monday aimed at helping widows and widowers remain in their homes after the death of a spouse who had taken out a reverse mortgage on the home. These so-called non-borrowing spouses had been blocked from a foreclosure deferral program by unworkable deadlines. Mancini will testify about the importance of this announcement from HUD, which will benefit many vulnerable surviving spouses. Mancini will also highlight the challenges that remain.

"The reverse mortgage foreclosure crisis we are facing was caused by problematic origination practices that largely predated 2015," says **National Consumer Law Center attorney Sarah Bolling Mancini**. "Yet, nearly 90,000 HECM mortgage loans are at risk of foreclosure and if changes are not implemented, those older borrowers could soon be evicted and homeless."

Mancini will testify that, although reverse mortgages play an important role as a safety net for older adults, many reverse mortgage borrowers, especially in communities of color, are losing their homes to foreclosure due to mortgage servicing and oversight failures, and reforms are needed. According to the U.S. Department of Housing and Urban Development (HUD) data, nearly 90,000 reverse mortgage loans are at risk of foreclosure due to a default on the obligation to pay property taxes and homeowner's insurance. HUD auditors project that 18% of existing HECM reverse mortgages will eventually go into default on property charges. Even when comparing only lower income areas, reverse mortgage foreclosure rates are six times higher in predominantly African American neighborhoods than in majority white ones, according to a 2019 investigation by *USA Today*.

With 80% of those aged 65 or older owning their own homes, it is critical that HUD make reforms to allow older consumers to age in place with stable housing. NCLC makes the following recommendations, explained in more detail during Mancini's testimony:

- Make loss mitigation mandatory for new HECMs that go into default on property charges;
- Expand loss mitigation options for existing HECMs and provide for a clear extension of

foreclosure deadlines while servicers evaluate loss mitigation;

- Expand the Mortgagee Optional Election (MOE) Assignment program to cover situations where the borrower moves out of the home for health reasons;
- Clarify the procedures for post-2014 non-borrowing spouses entering a deferral period after the death of the borrower; and
- Improve servicer communications with borrowers.

Related Resources

- NCLC Issue brief: Examples of Senior Homeowners Struggling with Ineffective and Inconsistent Servicing of HECM Loans, October 2017
- NCLC Issue brief: How HUD is Failing to Protect Widows and Widowers of Reverse Mortgage Borrowers: Case Studies and Recommendations, November 2018