

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

July 11, 2012

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

CFPB Issues a Report on the Reverse Mortgage Market and Announces a Request for Information

On June 28, 2012, the Consumer Financial Protection Bureau (CFPB or Bureau) published a [report](#) on the reverse mortgage market. The report, a requirement of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), identified a number of findings and concerns, which include the following:

- **Lack of Understanding** – The CFPB report found that while consumers are largely aware of reverse mortgages, few completely understand them.
- **Young Borrowers** – The CFPB report found that consumers are obtaining reverse mortgages at younger ages. The most common age for a new borrower is 62 – the first year in which a consumer becomes eligible for a reverse mortgage.
- **Lump Sum Payments** – According to the CFPB study, 70 percent of borrowers are taking out the full amount of proceeds as a lump sum rather than as an income stream or line of credit.
- **Deceptive Marketing** – The CFPB believes that older consumers may be receiving deceptive and misleading marketing materials about reverse mortgages. Specifically, the Bureau has seen examples of mailers that tout reverse mortgages as a government benefit or entitlement program like Medicare.
- **Housing Counseling** – The CFPB report concluded that the variety of product choices in the reverse mortgage market makes a housing counselor's job more difficult, indicating that housing counselors would benefit from improved methods for helping consumers make informed decisions in deciding whether to obtain a reverse mortgage.

The CFPB has posted questions and answers about reverse mortgages to the [Ask CFPB Database](#) and has developed a [fact sheet](#) and a [consumer guide](#) with information on reverse mortgages.

Notice and Request for Information

In conjunction with the report, the CFPB also announced a [Notice and Request for Information](#). The Bureau is seeking information from the public, including consumers, housing counselors, financial institutions, and others, regarding consumer use of reverse mortgages and consumer experiences during the reverse mortgage shopping process. The questions are grouped into four broad topics:

- a) Factors influencing consumer decision-making,
- b) Consumers' use of reverse mortgage loan proceeds,
- c) The longer-term outcomes of a decision to obtain a reverse mortgage, and
- d) The differences in market dynamics and business practices among the broker, correspondent, and retail channels for reverse mortgages.

The CFPB plans to use the information from the report and from the inquiry to inform future policy and disclosure decisions on reverse mortgages. As a result, institutions offering or considering offering

reverse mortgages are encouraged to utilize the comment period as an opportunity to influence the CFPB's understanding of the benefits and risks associated with reverse mortgages. The comment period ends August 31, 2012.

Resources

For those wishing to submit comments, the notice, along with information on how to submit comments electronically, is located on the CFPB's website at <http://www.consumerfinance.gov/notice-and-comment/>

The Federal Reserve Bank of St. Louis has also established a regulatory reform rules website that tracks the progress of more than 200 proposals and rules that will be written by the various Federal agencies to implement the Dodd-Frank Act. The site is located at: <http://www.stlouisfed.org/regreformrules/>.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information regarding supervisory expectations, please contact:

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