December 15, 2020

The Honorable Ben Carson
Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, D.C. 20210

Dear Secretary Carson:

As we near the end of 2021 and the London Interbank Offered Rate (LIBOR) sunsets, we, the undersigned organizations, are concerned about the lack of engagement in the transition process by the U.S. Department of Housing and Urban Development (HUD). A lack of transparency and unwillingness to share critical information with both industry and consumers may place older adults with reverse mortgages in vulnerable positions now and throughout 2021.

HUD has been an absent, but much needed, participant of the Alternative Reference Rates Committee (ARRC) since Fall 2018. Our consumer groups, all active participants of the ARRC, have had little contact with HUD staff regarding LIBOR's monumental transition. The ARRC has functioned without active HUD participation for much of the past year and a half. Active engagement is defined as regularly attending the ARRC group and subgroup meetings, meeting with consumer groups, communicating thoughts and ideas around the reference rate transition and substitutions, as well as providing transparency on decision-making processes, timeline for transition, education and outreach to consumers and coordination with consumer advocates to provide support and amplification to consumers within a timely manner. Notably, there is no current open rulemaking regarding HUD and LIBOR preventing such communication and engagement. Having collaborated with numerous public agencies on a multitude of issues, HUD's lack of engagement around the LIBOR transition is distinct and alarming.

A majority of reverse mortgages are indexed to LIBOR. Most of the reverse mortgages that are linked to the LIBOR index are insured by the Federal Housing Administration (FHA), with oversight responsibilities delegated to HUD. Older adults, a vulnerable population due to potential health considerations, average age of cognitive decline and their reduced earning capacity, will be highly affected.

Given HUD's lack of communication around HECMs, the impending sunset of LIBOR, and the need to communicate complex HECM changes to older adults, and to ensure a swift and seamless transition, we the undersigned urge that:

- HUD transition to the Secured Overnight Financing Rate (SOFR) swiftly and transparently. We believe that SOFR is an appropriate index to replace LIBOR. Utilizing the CMT index is considered a step back for the industry and consumers; currently, new reverse mortgage consumers are having to utilize CMT.

- HUD announce a timeline for communicating the LIBOR transition plan by December 21, 2020. To provide ample time to servicers and consumers to adequately plan for the transition during Q1 of 2021, an announcement of the transition should occur soon.

- HUD provide direction to housing counselors to ensure that borrowers are receiving timely, accurate information about the price of their loans. It is unclear how involved HUD's Office of Housing Counseling is in the transition. Given Ginnie Mae's recent directive on no longer accepting LIBOR, the Office of Housing Counseling should provide plain language information on reverse mortgages and training for counselors so that they can communicate to clients what the LIBOR transition means, what the consumer can expect to see happen when the transition takes place, and what recourse the consumer has, should they feel that their servicers did not adjust their rate appropriately.

- HUD publicizes an outreach plan to ensure that all stakeholders are receiving timely, accurate information. An outreach plan has not been shared with any stakeholders outside of HUD, if one exists. We would like to see an outreach plan shared with the ARRC and its consumer participants by January 1, 2021 so that subgroups can help disseminate information to our members through our channels and network of housing counselors and consumers early in Q1 of 2021.

The impact of a disruptive LIBOR transition could result in servicers communicating inaccurate information, or borrowers receiving unexpected rate changes that impact them negatively. To prevent these harmful outcomes, we implore HUD to move to adopt SOFR and clearly articulate its transition plan without further delay.

Thank you for your consideration. Please contact Tom Feltner, Director of Policy at (202) 524- 4889 if you have any questions.

Sincerely,

National Community Reinvestment Coalition
Americans for Financial Reform Education Fund
Center for Responsible Lending
National Consumer Law Center, on behalf of its low-income clients
National Fair Housing Alliance
Student Borrower Protection Center