



441 G St. N.W.
Washington, DC 20548

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February 3, 2017

The Honorable Michael Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Department of Housing and Urban Development: Federal Housing Administration: Strengthening the Home Equity Conversion Mortgage Program*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Housing and Urban Development (HUD) entitled “Federal Housing Administration: Strengthening the Home Equity Conversion Mortgage Program” (RIN: 2502-A179). We received the rule on January 19, 2017. It was published in the *Federal Register* as a final rule on January 19, 2017, with an effective date of September 19, 2017. 82 Fed. Reg. 7094.

The final rule codifies several significant changes to the Federal Housing Administration’s (FHA) Home Equity Conversion Mortgage program that were previously issued under the authority granted to HUD in the Housing and Economic Recovery Act of 2008 and the Reverse Mortgage Stabilization Act of 2013, and makes additional regulatory changes. This rule also strengthens FHA’s Home Equity Conversion Mortgage program and codifies changes that reduce risk to the Mutual Mortgage Insurance Fund and increase the sustainability of that program.

Enclosed is our assessment of HUD’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that HUD complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Ariel Pereira
Associate General Counsel for
Legislation and Regulations
Department of Housing and Urban Development

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ENTITLED
“FEDERAL HOUSING ADMINISTRATION: STRENGTHENING THE
HOME EQUITY CONVERSION MORTGAGE PROGRAM”
(RIN: 2502-AI79)

(i) Cost-benefit analysis

The Department of Housing and Urban Development (HUD) summarized the costs and benefits of this final rule. HUD stated that the policies discussed in this rule may reduce the Federal Housing Administration’s (FHA) Home Equity Conversion Mortgage (HECM) insurance endorsements by \$1.9 billion per year, thereby reducing choices for potential HECM borrowers to access home equity and imposing an equivalent cost on them. HUD also stated that costs include reduced borrowers’ choice and the well-being of those borrowers who may not meet the eligibility requirements, or who no longer have access to as much upfront cash.

HUD stated that the benefits of this final rule include 4,400 fewer foreclosures per year from tax and insurance default, reduced ancillary costs of foreclosures to neighborhoods, borrowers, and local governments, reduced loan origination costs for 2,000 “HECM for Purchase” borrowers per year, and an improved financial condition of FHA’s Mutual Mortgage Insurance Fund. HUD also stated that the total benefit of this rule is \$12 million per year.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

HUD determined that this final rule would not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

HUD found that this rule would not impose any federal mandates on any state, local, or tribal governments, or on the private sector, within the meaning of the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On May 19, 2016, HUD published a proposed rule. 81 Fed. Reg. 31,770. On August 11, 2016, HUD published a supplemental notice of proposed rulemaking to solicit comments in response to a proposal raised by one of the public commenters on the proposed rule. 81 Fed. Reg. 53,095. HUD responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

HUD stated that the information collection requirements contained in this rule have been approved by the Office of Management and Budget (OMB) under the Act. The information collection requirements have been assigned OMB Collection Numbers 2502-0524 and 2502-0611.

Statutory authorization for the rule

HUD stated that it promulgated this final rule under 12 U.S.C. §§ 1701q-1, 1703, 1723i, 1735f-14, and 1735f-15; 15 U.S.C. § 1717a; 28 U.S.C. § 2461 note; 42 U.S.C. §§ 1437z-1 and 3535(d).

Executive Order No. 12,866 (Regulatory Planning and Review)

HUD stated that this rule was determined to be a significant regulatory action as defined in section 3(f) of the Order.

Executive Order No. 13,132 (Federalism)

HUD determined that this rule does not have federalism implications and does not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the Order.