

# PUBLICATION

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## CFPB: Reverse Mortgages Subject to Scrutiny

June 15, 2015

In a likely preview of an area subject to future regulation and enforcement, on June 4, 2015, the Consumer Financial Protection Bureau (CFPB) released results of a focus group study on reverse mortgage advertisements and also issued an advisory regarding such ads.<sup>1</sup> A reverse mortgage is a home loan that allows older homeowners (typically age 62 or older) to access the equity in their homes and defer payment of the loan until they pass away, sell or move. The loan proceeds are generally provided to the borrowers as lump-sum payments, monthly payments, or as lines of credit. Industry reports indicate that the reverse mortgage market is only about 1 percent of the size of the traditional mortgage market, but with an aging population it is anticipated that the market will grow.

The study involved a review by focus groups of 97 advertisements for reverse mortgages on TV, radio, in print and on the Internet. Following interviews, the study found that the focus groups were confused about reverse mortgages being loans, there was a false impression that the loans are a type of government benefit or that a reverse mortgage guaranteed the borrower could remain in the home for the rest of their lives. In addition to the interviews, the CFPB itself reviewed the advertisements and concluded that, "[A]mong the advertisements we collected, on their face, many contained confusing, incomplete, and inaccurate statements regarding borrower requirements, government insurance and borrower risks."

The study identified various potential problems with the ads including:

- Ambiguity regarding the fact that reverse mortgages are loans
- False impressions about government affiliation
- Difficult-to-read fine print
- Celebrity endorsements that imply reliability and trust
- False impressions about financial security and staying in the home for the rest of the consumer's life

The concerns identified in the study could each be a potential target for regulatory initiatives such as enhanced or modified disclosure requirements for reverse mortgages. The identified areas also raise implications for exposure as a result of the CFPB's continued aggressive pursuit of enforcement actions targeting conduct it deems to be an "unfair, deceptive, abusive act or practice" (UDAAP). Baker Donelson will monitor developments involving reverse mortgages and the CFPB and keep you updated.

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<sup>1</sup> [http://files.consumerfinance.gov/f/201506\\_cfpb\\_a-closer-look-at-reverse-mortgage-advertising.pdf](http://files.consumerfinance.gov/f/201506_cfpb_a-closer-look-at-reverse-mortgage-advertising.pdf)