

Breaking: Trump instructs HUD to examine the financial viability of the Home Equity Conversion Mortgage program

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The status quo is not on the agenda for the Department of Housing and Urban Development. The agency made two significant announcements this week- needed reforms of Fannie Mae and Freddie Mac and a formal complaint against the social media giant Facebook.

While the housing and economic crisis of 2008 may be behind us, its long-lasting impacts are not. The U.S. taxpayer, otherwise known as the Treasury, [paid a combined \\$187 billion](#) to keep the government-sponsored enterprises or GSEs Fannie Mae and Freddie Mac from falling into insolvency. Both agencies found themselves in peril buying failing mortgages and reselling them on the secondary market as mortgage-backed securities. Despite the fact that both GSEs have paid back their bailout with \$58 billion in profit, structural and oversight risks remain- both which the Trump administration is pushing to address with sweeping reforms.

In its [official press release](#) and memorandum to the Federal Register, last Thursday HUD states the reforms would address a lack of market competition, taxpayer risk, and outdated legacy systems and business practices- all in the effort to prevent another costly bailout. President Trump has directed HUD to enact a plan that would make FHA and Ginnie Mae primarily responsible housing finance for low to moderate income families, improve risk management and product design, and modernize technology operations.

One of the first objectives noted in the release is to address the financial viability of the Home Equity Conversion Mortgage program. This is a clear and unmistakable indication that the federally-insured reverse mortgage is being closely scrutinized and that further changes are likely. It is hoped that before any further sweeping changes are made to the HECM that improved technologies and methodologies can isolate the source of ongoing losses.

HUD also announced the agency has filed a [formal complaint](#) against the social media giant Facebook for its advertising tools which allowed discriminatory advertising in violation of the Fair Housing Act. "Facebook is discriminating against people based upon who they are and where they live," said HUD Secretary Ben Carson in the official press release. "Using a computer to limit a person's housing choices can be just as discriminatory as slamming a door in someone's face."

Incredibly despite the social media giant having an army of attorneys and market specialists, it allowed discriminatory ads that prevented housing ads from being displayed to individuals based on their age, nationality, race, religion, sex, or affiliations. In response to an earlier complaint in August 2018 filed by HUD Secretary Ben Carson Facebook announced the removal of over 5,000 ad targeting options as part of a massive overhaul of its advertising platform. Unfortunately, for reverse mortgage lenders and brokers, that means HECM ads can no longer only target age-eligible homeowners over the age of 62. A significant setback which will certainly make advertising on the platform increasingly expensive and ineffective.