



MARKET SQUARE PLAZA | 17 N SECOND STREET, 13TH FL | HARRISBURG, PA 17101
Ph 717.787.6991 Fx 717.787.8773 w www.banking.state.pa.us

SECRETARY OF BANKING

July 29, 2010

To All Licensees under the Mortgage Licensing Act and Consumer Discount Company Act:

The Commonwealth of Pennsylvania Department of Banking (the "Department") has recently issued two statements of policy that may affect certain aspects of your business. These statements of policy became effective on July 10, 2010, by virtue of their publication in the *Pennsylvania Bulletin* (40 Pa.B. 3868, 3869).

The first statement of policy addresses the proper conduct of mortgage loan modifications by licensees under the Mortgage Licensing Act ("MLA") and Consumer Discount Company Act ("CDCA") (together, the "Acts"). As noted by the statement of policy, modifying a mortgage loan is not the same as brokering or originating a mortgage loan, and should not be confused with mortgage refinancing. A licensee experienced in making or brokering loans may not have the necessary training or experience related to mortgage loan modifications to appropriately negotiate a mortgage loan modification on behalf of a consumer. The guidance expressed in this statement of policy should allow licensees to avoid placing consumers who are struggling with their existing mortgage loans into inappropriate mortgage loan modifications. The mortgage loan modification statement of policy may be found through this link: <http://www.pabulletin.com/secure/data/vol40/40-28/1252.html>.

The second statement of policy addresses the proper conduct of the reverse mortgage loan business by licensees under the Acts. Because most reverse mortgage loans are marketed to consumers 62 years of age and older, the Department is concerned about the potential for vulnerable consumers in this Commonwealth to be victimized by either bad advice or outright fraud. Furthermore, the Department is concerned that licensees may not be fully cognizant of the propriety of, and the necessary business practices required to limit risks to consumers who use reverse mortgage loans. Most reverse mortgage lenders offer insured reverse mortgage loans and must adhere to well-established Federal standards set through the Federal Housing Administration's ("FHA") reverse mortgage loan insurance program, including consumer counseling. However, proprietary reverse mortgage loans are not insured by the Federal government and are not required to follow the standards and requirements mandated by the FHA to obtain Federal insurance. This statement of policy should provide licensees who engage in the reverse mortgage loan business with guidance regarding the Department's interpretation of the proper conduct of the reverse mortgage loan business. The reverse mortgage statement of policy may be accessed through this link: <http://www.pabulletin.com/secure/data/vol40/40-28/1253.html>.

While these statements of policy are not regulations, and therefore do not have the force and effect of law, these statements of policy will provide you with important guidance regarding how the Department will review licensee conduct of mortgage loan modifications and reverse mortgage loan programs. These statements of policy establish the framework

within which the Department will exercise its administrative discretion in the future regarding its review of licensee conduct of these mortgage loan programs and the Department reserves the discretion to deviate from these policy statements if circumstances warrant.

This letter is not intended as and does not constitute legal advice. Please keep in mind that this letter contains generalizations regarding these statements of policy and is therefore not inclusive of all of their provisions, conditions, exceptions, and details. It is critically important for you to read these statements of policy and seek guidance from your legal counsel and trade association regarding the effects of these new statements of policy on your business operations.

Questions regarding these new statements of policy should be addressed to the Compliance Division of the Bureau of Compliance, Investigation and Licensing at (717) 772-3889 or by submitting an inquiry via the Department's website at www.banking.state.pa.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'SK', is written over a horizontal line. The signature is stylized and cursive.

Steven Kaplan