The Trump Era & The HECM

The Industry Leader Update by Reverse Focus
May 30th, 2017

President Donald trump embodies the essence of a political wrecking ball in Washington D.C.- a city known to cling tightly to political traditions of governing and supporting long-standing social programs, despite our ballooning deficits.

While the President weathers opposition from both Democrats and Republicans alike, his administration's draft 2018 budget for the Department of Housing & Urban Development reflects populist sentiments of a smaller, efficient government with parsimonious allocations for social program spending. Many feared the populist agenda would gut essential HUD, programs, and more specifically, the Home Equity Conversion Mortgage program.

Politico obtained a copy of the Trump administration's preliminary budget revealing plans to gut $6 billion from several programs including the outright elimination of the Community Development Block grant, neighborhood initiatives, and a housing program for veterans. Despite these unpopular cuts, the HECM program was spared, and even strengthened.

Two changes stand to liberate the HECM - the removal of the annual cap and the erosion of the unchecked powers of the Consumer Financial Protection Bureau.

The cap on the number of HECMs the Federal Housing Administration can insure represents an outdated standard, that if left unchanged, would permanently close the door to future borrowers. The cap has been temporarily suspended on several occasions, usually as part of budget continuing resolution. The cap has been seen as a hurdle to new lenders from fully committing to the HECM marketplace. In his testimony before the Senate Banking Committee, NRMLA President Peter Bell said, "NRMLA urges Congress to support the continued availability of Home Equity Conversion Mortgages by permanently removing the cap on the number of HECMs that FHA may insure to minimize any possible disruption in the availability of this importance personal financial management tool."

Soon lenders may see some relief from the often heavy-handed and unchecked policing powers of the CFPB. Trump's proposed budget would quietly defund the highly-contentious bureau with a cuts of $600 million a year, eventually stamping out the CFPB and relegating it to the pages of history. The elimination of the bureau could provide much-needed relief from sudden regulatory changes and substantial cost savings in complying with a complex array of lending and advertising rules. Since it's inception, the Consumer Financial Protection Bureau has been criticized on many fronts, one being that it unfairly eliminates smaller banks and lenders from competing in market, being unable to absorb the structural costs of compliance.

While Trump's 2018 budget is unlikely to remain fully intact after changes from both the House and the Senate, it does reveal the administration's spending priorities and its philosophy on the role of government in housing policy and financial market regulation. While the final budget remains undecided, the sliver lining for us is that the HECM program has received the support of the President's administration.

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