January-February 2013
Volume 6, No. 1

Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association

A New Snapshot of Borrowers:
Responsible & Thorough P.12

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January-February 2013
Volume 6, No. 1

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Reverse Mortgage is the official publication of the National Reverse Mortgage Lenders Association. The magazine is published every two months. For inquiries regarding association membership and/or magazine subscriptions, please call Linda Latimore at 202-939-1793. Advertising and editorial inquiries should be directed to 202-939-1745 or mbell@dworbell.com.

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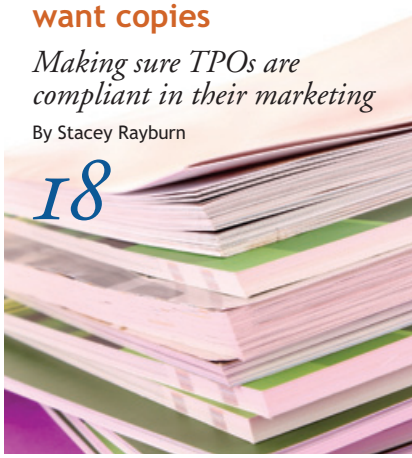
Columns

Monthly Features



Evidence

ANECDOTES MAY BE GOOD DINNER CONVERSATION, but they don't prove much. And yet these little individual stories are too frequently the basis of reporting, of political viewpoints and even of regulation.

Word of mouth may be everyone's most treasured marketing tool, particularly in the age of the social media avalanche. We all depend on friend's recommendations for movies, restaurants, travel, even people to date. But when writing regulations that affect thousands of Americans' welfare, as well as the livelihood of those in the business being regulated, anecdote is simply not acceptable evidence.

When the CFPB embarked on their research for a reverse mortgage report called for in the Dodd/Frank legislation, we thought: *Great. Now we'll get some needed industry data*. But that turned out to be overly optimistic. Instead, the CFPB staff interviewed only about three dozen people from inside and outside the reverse mortgage industry and reached conclusions based largely on…you got it: Anecdotes.

Amongst those interviewed were representatives of consumer advocate groups. And, as you may have read in Atare Agbamu's column in these pages in our September/October issue, some of these groups wrote off data as unnecessary and a "red herring."

When, in conjunction with release of their report, the CFPB issued a set of questions they needed answered, we decided that, for the sake of integrity, our answers should be evidence-based. And so we engaged the respected research firm of ORC International of Princeton, New Jersey, who, at their suggestion, surveyed a sampling of 501 reverse mortgage borrowers. You will find the results of the survey question-by-question beginning on page 12 of this issue. *(A New Snapshot of Borrowers: Responsible and Thorough.)*

And while we're dealing with the facts: In this issue you will also find helpful information from two accomplished and experienced reverse mortgage professionals. Jean Noble, Director of Marketing for Urban Financial Group, advises you on *Questions to Ask Lead Generators (p. 22)*. And Stacey Rayburn, Compliance Officer at Generation Mortgage, explains the process of checking TPO marketing compliance. *(Why Do You Need Copies?, p. 18.)* Both Jean and Stacey presented this information at our 2012 Annual Meeting in San Antonio, but we found it so valuable, we wanted to save and distribute it in print.

So, if you've heard any entertaining anecdotes lately, feel free to share them. Just don't use them as the basis of any arguments either for or against regulation.

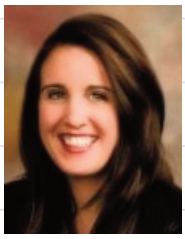
Marty Bell, *Editor*

Scribes

Meet This Month's Contributors

Jean Noble

(Interviewing Lead Generators – p. 22)



Jean Noble

Jean Noble is a seasoned Reverse Mortgage marketer and business strategist - having launched one of the first national television campaigns in 2004. Today, she is the head of marketing for **Urban Financial Group**. Jean and her team are responsible for all lead generation tactics, marketing communications and CRM systems. Prior to entering the Reverse Mortgage industry back in 2002, she held marketing and product development positions at AllianceBernstein and at New York Life Insurance Company. Jean is a member of the NRMLA Board of Directors.

Stacey Rayburn

(Why Do You Want Copies? – p. 18)

Stacey Rayburn

As the Company's Compliance Officer, Stacey Rayburn has been with **Generation Mortgage Company** since 2007. With more than twenty-five years' experience in the mortgage industry, she also served as Chief Compliance Officer and Vice President of Risk Management at Amtrust Mortgage Corporation, and Vice President, Operations for Southern Capital Mortgage Corporation.

ORC International

(A New Snapshot of Borrowers – p. 12)

ORC International, who conducted NRMLA's Borrower Research, is a leading global market research firm uniquely able to integrate people, methods, technology and insights to address clients' strategic issues, challenges and opportunities. Since its founding in 1938, ORC maintained a passion to drive its clients' success through innovative, integrated research solutions. The company has been a founding member of the Council of American Survey Research Organizations (CASRO), a partner of CNN on the CNN|ORC poll since 2006 and a partner of NYSE Euronext on its Annual CEO Report for the past 7 years.

Balanced Viewpoint

In Search of Stability

By Peter Bell, President of NRMLA

EVENTS DRIVE THE NEWS. IN THIS SPACE I OFTEN find myself reacting to developments and talking about the necessity of accepting change as a constant in the reverse mortgage business—or in any business, for that matter, that is affected by the political seesaw.

But in the wake of November's Presidential and Congressional elections, I now find myself focused much more on stability. Hopefully the current fiscal cliff wrestling match will be resolved by the time you read this. But what we keep hearing surrounding these negotiations—and heard throughout the campaigns—is a loud cry for some stability so the business sector will have enough information in cement to plan for the future, invest their cash, create jobs and products.

Stable is not a label that has been hung often on the reverse mortgage business over the past few years. The flow of companies in and out can appear to indicate fickleness. I see the ongoing shift in participants as a healthy maturing of the delivery system for a still fairly young and very unique financial product. Just as reverse mortgages are not for every senior, the reverse mortgage business is not for every company. I suspect this weeding out process will persist for some time.

But the change in player uniforms may not be as much of a roadblock to stability as the sideline referees—the press. Earlier this year, we were on a good roll. From the creation of the Saver in 2009 and the enhancement of counseling with the addition of FIT and benefitscheckup, we seemed to have erased criticisms of the past and replaced them with new points of view—especially those of academic researchers focused on retirement saving.

And then the CFPB report hit, followed by a front page story in the *New York Times*, followed by a 90 second smacking on ABC Nightly News with Diane Sawyer, followed by a spot on Fox. One spot fed the other. Each became the record for the next. Research was no more exhaustive than Googling.

Peter Bell

All of this has been the kind of press that frightens seniors and makes business owners want to stay under their comforter permanently. And it was exacerbated by the Senate hearing following the release of the FHA MMI Fund audit in December. Changes for the good of the program suggested by HUD Secretary Shaun Donovan became a *gotcha* moment for some politicians and reporters.

So how do we find stability amidst this chaos? Not, I would suggest, by simply pointing fingers and saying we're right and they're wrong. Instead, we need to eliminate the issues we are being criticized for, take away all the ammunition.

It seems to me there are five primary recurring criticisms:

- The proliferation of fixed rate, full draw loans.
- Non-borrowing spouses faced with losing their spouse and forced to pay off the loan or sell the home.
- The number of tax and insurance defaults.
- Aggressive advertising and sales pressure.

To create stability in our industry, to ensure seniors, to increase volume and to attract more investors, we need to creatively tackle each and every one of these issues. Solutions to some are more obvious than others and, in fact, HUD has now called for a moratorium on the fixed-rate HECM Standard in order to improve the stability of the Mortgage Mutual Insurance fund. But it seems to me our agenda is clear for 2013. And, as always, we are open to thoughtful suggestions from you on an approach to each of these issues. RM

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At our core, each of us finds what truly matters. At Urban Financial Group, our path to success boils down to six unwavering principles: Client Focus, Integrity, Teamwork, Respect for Each Individual, Innovation and Responsible Citizenship. These values are woven into the DNA of our entire staff and embedded in our culture. These six principles guide our behavior and set the bar higher for each of us every day.

So in a world where people and businesses are faced with and tempted by shortcuts, we at Urban resolve to take the right path – every time. It's this determination to do the right thing that has made us a leader in Reverse Mortgage lending. When you let your values guide you, the right path becomes clear. Goals are reached. Business grows. Find out how we can partner with you. **Email us today.**

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*According to RMI measuring number of endorsed wholesale units January – December 2011

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From David to Goliath

How RMS Has Grown Through Diversification

By Darryl Hicks

WHEN REVERSE MORTGAGE SOLUTIONS ENTERED the reverse mortgage space in March 2007, it was a proverbial David going up against the likes of Financial Freedom, Bank of America and Wells Fargo—the Goliaths of the reverse mortgage industry.

At its inception, RMS employed 12 people and was a seller of loan servicing software. The company soon discovered that if it was to obtain the return anticipated by its investors it had to search for new lines of business, so it quickly diversified into subservicing reverse mortgages. This meant that its clients owned the servicing rights to the loans they originated but contracted with RMS to handle the loan administration part, such as disbursing loan payments and handling customer service calls.

It was a good fit. The company's servicing portfolio kept growing year after year, but to become a marketplace leader, RMS had to take it to the next level. So in March 2011, RMS announced a major expansion into the loan origination business that includes retail, correspondent and wholesale channels. The company also added a wholly owned subsidiary REO Management Solutions, focusing on the sale and disposal of reverse mortgage REO properties.

Not quite 6 years into its business life, RMS is nearing the pinnacle of success. Based in Spring, TX, a suburb of Houston, RMS now employs over 300 people, services a $12.4 billion portfolio, which ranks fourth among active servicers, and in 2012 issued approximately $1.8 billion of reverse mortgage-backed Ginnie Mae securities, the most of any issuer.

In addition to these accomplishments, MA Systems, a wholly owned subsidiary of RMS, played an instrumental role developing the new Home Equity Reverse Mortgage Information Technology (HERMIT) platform that launched in October 2012 and serves as HUD's system of record for collecting mortgage insurance premiums, managing all servicing activities and paying insurance claims.

Thomas and Marc Helm

Perhaps the firm's biggest accomplishment happened on November 1, 2012, when Walter Investment Management Corporation acquired RMS.

Reverse Mortgage magazine interviewed two key players in RMS' success, Marc Helm, President and Chief Execu-

***Talking Heads** continued on page 8*

Talking Heads continued from page 7

tive Officer, and Thomas Helm, who is Senior Vice President in charge of the company's Capital Markets efforts.

Reverse Mortgage: ***You were recently acquired. What do you think are the main factors for companies getting into the reverse mortgage business today?***

Marc Helm: A number of companies backed out of the industry and that is creating new opportunities for capital to come into the market. Private equity firms still view reverse mortgages as a business that will be around for a long time and that the product serves a protected class of people and does a lot of good. Companies that are looking to make an acquisition see it as a good capital investment, but I think many are looking for companies with multiple lines of business which made us a strong acquisition candidate, because we are very diversified.

RM: ***When you say diversified, what do you mean exactly?***

Marc Helm: RMS has five major lines of business—origination, servicing, subservicing, systems and REO. All of these lines create income streams, but if one ever slowed, the others could pick up the slack. To my knowledge, we are the only company in the reverse mortgage business to offer this many lines. Most of the larger companies are focused either just on origination, or maybe origination and servicing, but not systems and REO.

RM: ***I'm not sure as many people are familiar with your REO business line. How is that important on the reverse mortgage side?***

Marc Helm:: The selling of the Reverse Mortgage REO is a specialty business and is dramatically different from the sale of forward mortgage REO. We saw a need in the space and created the processes and systems to support the business. Currently we manage the sale of over 6,000 REO properties.

RM: ***It wasn't long after you were acquired that Ocwen announced plans to buy Genworth Financial Home Equity Access. Do you anticipate more acquisitions in 2013?***

Talking Heads continued on page 9

Talking Heads continued from page 8

Marc Helm: This is my personal opinion, but I think 2013 could be a year where we see a number of acquisitions.

RM: In these challenging economic times, how do you attract outside investors?

Marc Helm: As the number of major participants has decreased, the remaining companies have gained more market share and become more profitable.

Thomas Helm: I would add that the drop-off in volume was caused by the significant "brands" leaving the market. Bank of America, Wells Fargo and to an extent Metlife, had huge retail platforms that people were familiar with. As for the banks, customers could walk into their local bank branch and ask about reverse mortgages without the branch employees really having to push the product. When they exited, you saw some of the volume go elsewhere, but you still lost a significant amount of volume that industry is still trying to make up.

Marc Helm: I want to elaborate on something Thomas briefly mentioned, which is some of the companies that were smaller players on the origination side have stepped up and are contributing to the market. Consumers understand that there are a number of reverse mortgage businesses out there, they see the advertising and act upon it.

RM: The launch of HERMIT last fall was something the industry had been anxiously awaiting for several years. How does this new technology improve the reverse mortgage process, both from an origination and servicing standpoint?

Marc Helm: New functional technology is always a positive but it takes time to train and maximize the utilization of the technology. The HERMIT system was a consolidation of a number of systems at HUD which afford the industry a more streamlined approach to managing the HECM process from origination through final claim.

RM: How did the exits of Metlife, Wells Fargo and Bank of America impact RMS as a Ginnie Mae Issuer?

Thomas Helm: On a global scale, talking about the entire issuance space, when these companies left it caused the evaporation of several hundred million dollars of commitment authority a month. That was not a small number but a large part of this amount has been made up by the remaining issuers. Right now, the industry needs to focus on originating within the issuance capacity available.

Marc Helm: We projected that between Metlife, Wells Fargo and Bank of America, the industry lost about $250-300 million a month in commitment authority. When they were still in the market, RMS was issuing about $75 to $80 million a month in HMBS securities and now we're up to $225 to $250 million a month. We picked up a giant slice of that commitment authority, but we certainly didn't cover all of it. One positive development is that we have had some new Ginnie Mae issuers come into the market on a smaller scale, but they help because they're picking up a slice of that commitment authority. These companies aren't doing real large volumes right now, but even so providing $25 to $50 million in commitment authority each month has helped the market.

These companies aren't doing real large volumes right now, but even so providing $25 to $50 million in commitment authority each month has helped the market.

RM: Does negative press impact investor appetite for HMBS?

Marc Helm: I don't think it has hurt the investor market. There are negatives in every business in this country, so there will be some negatives in the reverse mortgage space. But the few number of negatives we encounter in a portfolio that is approaching 85,000 loans are far outweighed by the positives. For instance, I remember a few years ago there

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was a loan serviced in the industry, it was an older loan, but for a period of two years the press kept writing about this one loan as if it were different loans, but in reality is was only one case where a borrower had issues, unfounded I might add. I've gotten a lot of letters from people who said how great it was to have a reverse mortgage, so maybe NRMLA should try again to collect testimonials and publish the positive stories.

***RM:** A lot of borrowers and their children are confused about the end of loan process and their responsibilities to pay back the reverse mortgage. What can loan originators do to help alleviate some of this confusion before a loan closes?*

Marc Helm: In most cases, a due and payable event is caused by the death of the last remaining spouse on title. The confusion that occurs doesn't come from the borrower, but rather the estate. You would be surprised at the number of cases we have where the estate has no idea the parent got a reverse mortgage. Normally, the estate doesn't want to deal with the disposal of the property unless they anticipate proceeds from the sale. When they understand that's not going to happen, they normally do a deed in lieu of foreclosure, short sale, or allow a foreclosure to proceed.

It's important for people to understand that foreclosure is not always a bad thing in the reverse mortgage business. That is how we obtain clear title and proceed with selling the property and paying back the investor. There was a segment on reverse mortgages that came out on TV recently in which they stated that the foreclosure rates on reverse mortgages are four times higher than they are on FHA forward mortgages. That was the worst misrepresentation of the program I've ever seen, because it's an apples and oranges comparison. We are considering the development of a document that can be provided at closing which can be used by the borrower as an explanation to their family of how a reverse mortgage works.

***RM:** Do you think this year might be the right time to introduce a proprietary product?*

Thomas Helm: I get asked that question all the time from broker/dealers. We've done some modeling and tried to project what the demand would be and they always come back to us after talking with their investors and have determined the investor sweet spot to be at least $50 million (per issuance).

I don't know if $50 million is an absolute floor, but nobody wants to buy a $3 million security, that could be only three jumbo loans. You may see $25 million, but I think $50 million is good number.

Marc Helm: I do think that there is a high probability that we'll see a proprietary product in the near future. The problem is that it has to be successful enough to generate sufficient volumes, because as Thomas said most investors will require a minimum threshold purchase amount.

There was a lender that offered a proprietary product in 2012, but it didn't have any significant volumes, so we need to see a "jumbo" product that people will use.

Another reason why investors like larger securities is that the more loans you have in the security, the less prepayment risk the investor has.

***RM:** Do you think the changes to the HECM program that FHA is considering in order to stabilize and reduce insurance losses could actually spur companies to launch proprietary products sooner than expected?*

Marc Helm: The more the industry understands insured products and the adjustments that FHA makes to mitigate risk, those new parameters can help guide companies in structuring their own proprietary products. If they see that FHA has structured the HECM in a particular way, and adjust for the fact that their proprietary product doesn't have FHA insurance, and analyze years of HECM data that's available, that may actually help lenders develop better proprietary products. RM

Member News

Celink Recognized for Ethical Leadership

Celink, the nation's largest independent reverse mortgage subservicer, has been named one of three companies to receive the annual 2012 Better Business Bureau of Western Michigan Integrity Award. Megan E. Hopkins, Director of the Center for Character Ethics said, "Celink's selection came after a panel of judges evaluated numerous nominations, and the award represents trust and integrity in our 38-county regional business community."

Ryan LaRose, President and COO at Celink, views the award as validation of the Celink Code of Ethics, first drafted by his father CEO John LaRose. "The tremendous benefits of reverse mortgages have erroneously fallen under the shadow of the national mortgage crisis. The reverse mortgage industry is charged with ethical leadership. Receiving this integrity award is full affirmation that our company's guiding principle of 'Doing the right thing, at the right time, for the right reason' is sound business practice."

Genworth Financial Home Equity Access Creating New Brand Identity

Genworth Financial Home Equity Access, Inc. has changed its name to Liberty Home Equity Solutions, Inc. (Liberty) and plans to launch its new brand identity in February 2013 pending state regulatory approvals. Liberty is one of the nation's largest and most experienced reverse mortgage lenders funding over 25,000 loans since 2004 through its retail and wholesale business channels.

"As we look forward to new growth opportunities in 2013, we are very excited to be launching our new company name." said Pete Engelken, President/CEO of Liberty. "The Liberty name embodies the spirit and values that our company was founded upon including trustworthiness, integrity, financial freedom, and personal care."

Urban Financial Creates Sales Support Division

Urban Financial Group has hired Nadine Conklin, formerly of MetLife Home Loans, to manage its newly created Sales Support Division. Conklin will report to Sherry Apanay, Managing Director of Sales, and will serve as the Wholesale Sales Support Manager.

This new division will be responsible for on-boarding new clients, assisting existing partners with the recertification process, provide an additional layer of support with technology matters and help clients tap into the Company's value-added tools such as its training resources, investor education and marketing support.

According to Sherry Apanay, "We wanted to bridge the gap between the work of our Account Executives and Loan Account Managers (LAMs) – the Sales Support team will work in tandem with the Account Managers to ensure our clients' growth goals are met and they are as successful as possible." RM

A New Snapshot of Borrowers

Responsible & Thorough

By NRMLA Staff

REVERSE MORTGAGE BORROWERS ARE SHOPPING for their loans more vigorously, increasingly seeking advice from knowledgeable parties they trust, making better informed decisions on lender and product selection, consulting more often with well-trained and HUD-approved counselors, and carefully reviewing documents and disclosures before closing often with multiple parties and trusted advisors.

In addition, HECM borrowers by and large have utilized their loan proceeds judiciously and purposefully, having been fairly conservative about where they "park" loan proceeds for which they may not have immediate plans or needs.

These are conclusions drawn from a new borrower survey conducted in late August of 2012 on behalf of NRMLA by ORC International of Princeton, New Jersey, one of the most established consumer research and polling firms in the U.S.

The survey was conducted in direct response to the Request for Information by the Consumer Financial Protection Bureau upon issuance of their reverse mortgage report last July. Given a report that drew conclusions based on 36 interviews, and lacking in data, NRMLA chose to obtain evidence based answers to the CFPB's published questions, to collect information that reflected the real-life experiences of actual reverse mortgage borrowers.

To be able to meet the timetable set by the CFPB, the research team decided that the sampling frame would consist of all non-paid reverse mortgage accounts that were not in a due and payable status. ORC advised NRMLA that a response from 500 borrowers would be a statistically significant sampling of the target population. Anticipating a 10 per cent "willingness to participate" rate, servicers and sub-servicers

***Snapshot** continued on page 13*

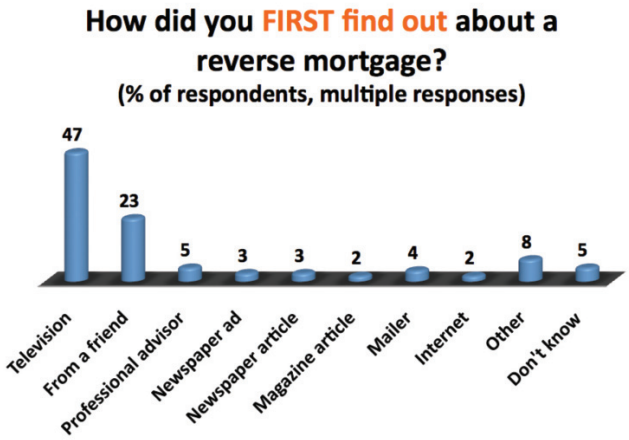
Snapshot continued from page 12

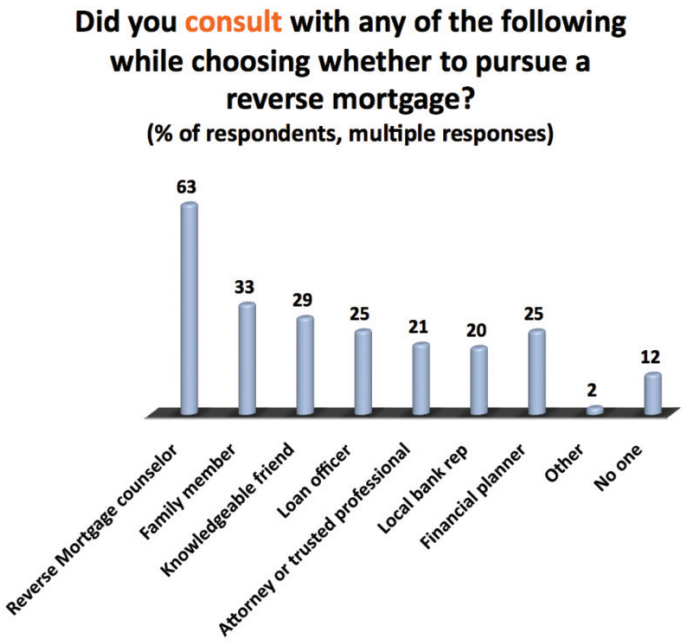
provided a random sampling of 5000 borrowers. In total, 501 interviews were conducted via telephone by ORC staff, each call lasting approximately 14 minutes.

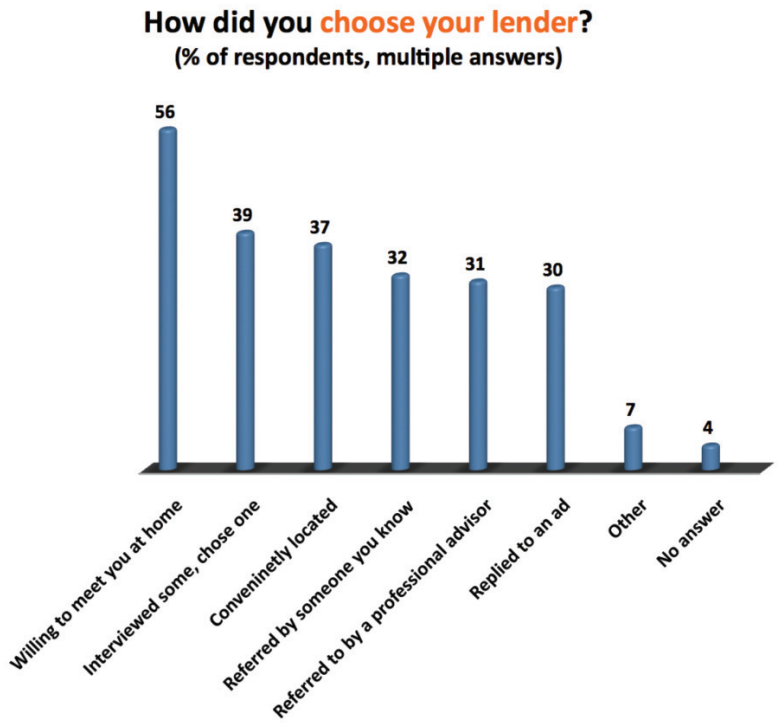
The survey produced the following results:

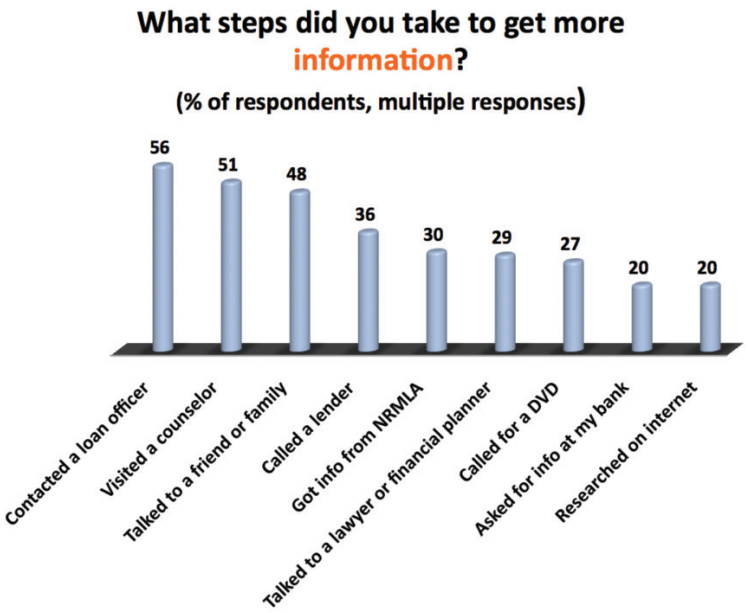
Borrowers' Own Research

To research whether reverse mortgages were appropriate for their individual financial situations, borrowers not only met with loan originators and went through mandatory counseling, but also avidly sought additional input from knowledgeable family, and friends, published materials, and a spectrum of financial professionals.









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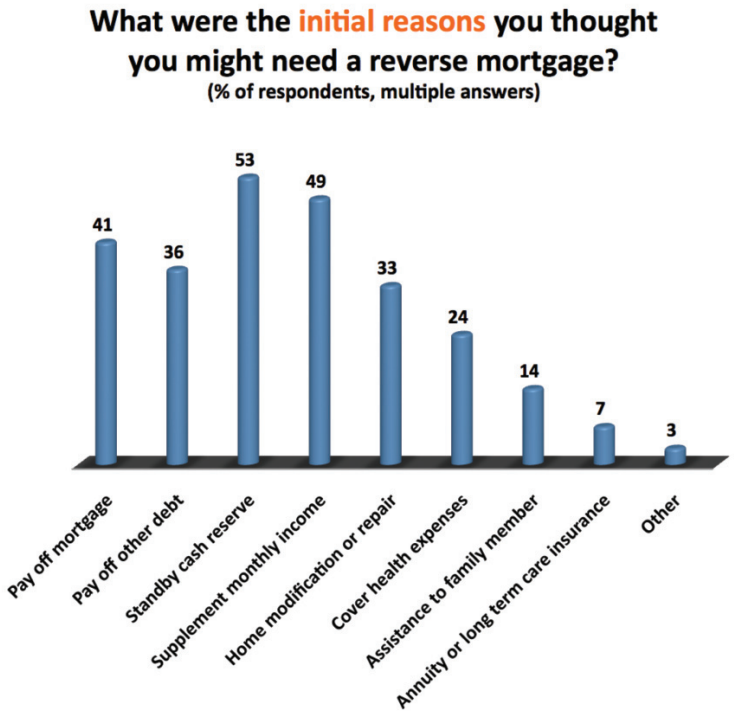
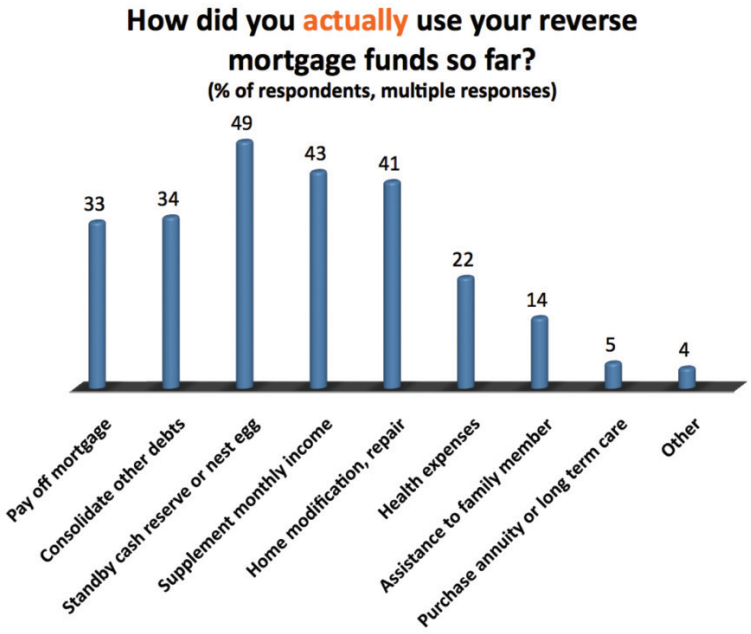
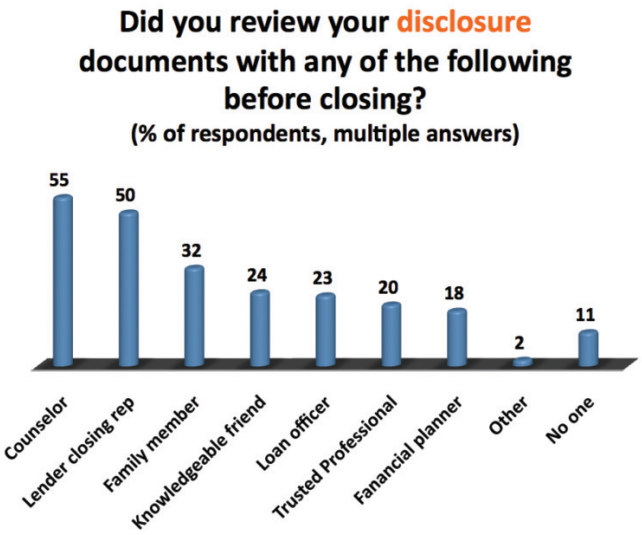


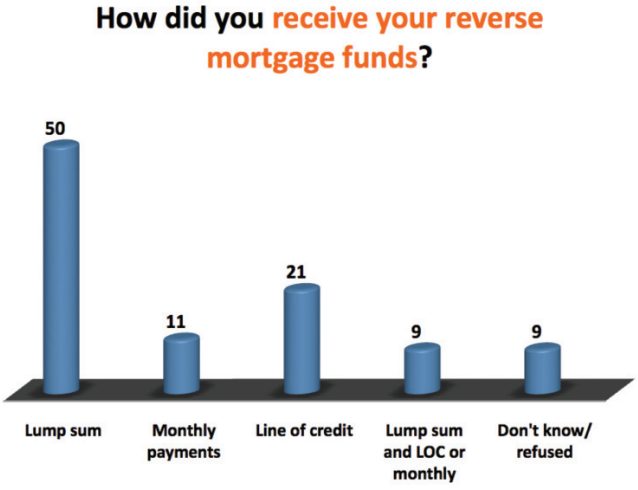


Overall, borrowers have demonstrated a responsible approach to decision making.

Borrowing Process and Usage of Funds

Overall, borrowers have demonstrated a responsible approach to decision making. They get advice, make a decision, continue to seek more advice during the loan origination process. They have solid reasons why they pursue reverse mortgages and usually utilize the funds as originally anticipated. Interestingly, the one area in which they do not always anticipate their needs is in home repair and modification. In order for their home to qualify for a reverse mortgage, they are sometimes required to spend money on home improvement.





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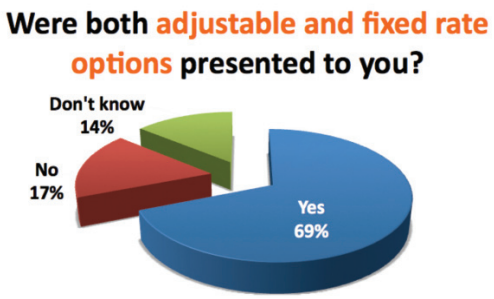
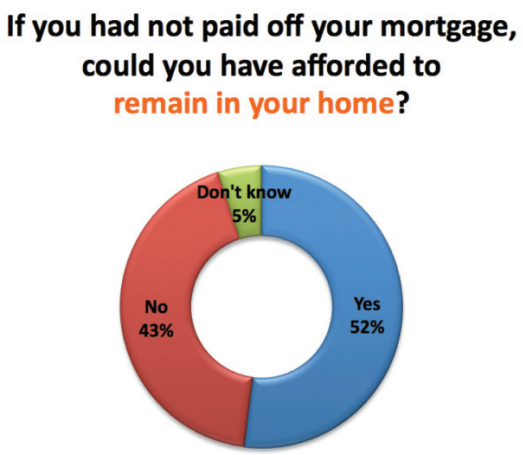
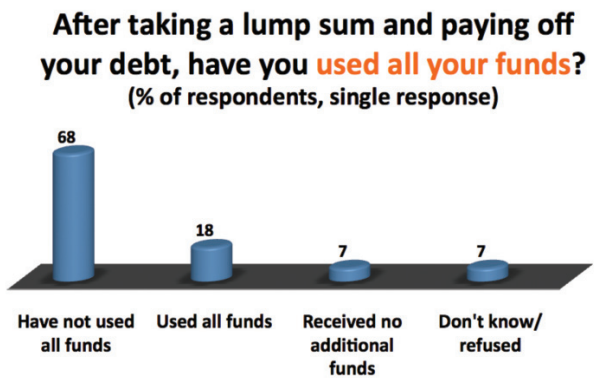
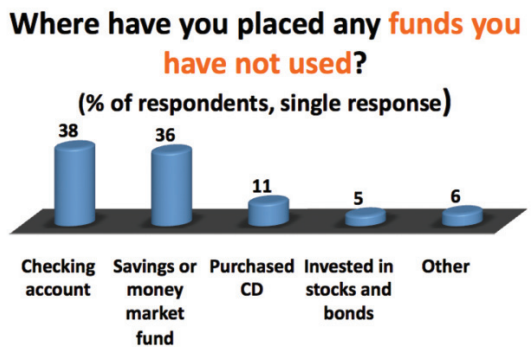




Borrowers who choose to receive their proceeds as a lump sum, paid off forward mortgages or other debt, and have funds remaining have been conservative and careful with those remaining funds.

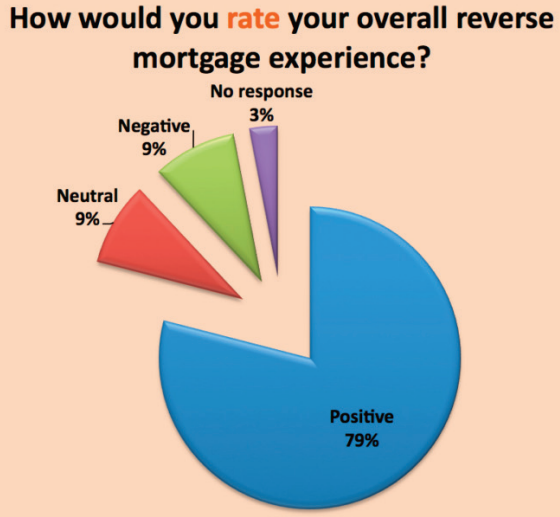




Conclusion

As with a consumer study done by AARP in 2007 and previous research for NRMLA conducted by Marttila Strategies in 2010, the overall level of satisfaction with the reverse mortgage experience amongst borrowers proved to be unusually high.

The overall level of satisfaction with the reverse mortgage experience amongst borrowers proved to be unusually high.



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Why do you want copies?

Making sure TPOs are compliant in their marketing

By Stacey Rayburn

AS A SPONSORING LENDER, WE REQUIRE SAMPLES of our third-party originators' ("TPOs") advertising and marketing materials before we approve their applications. The TPOs often ask why and what we plan to do with them. They often hesitate to provide the requested materials, but after hearing our reasons, most understand and even appreciate the added due diligence. Besides, most TPOs have their marketing materials readily available due to recent examinations so providing us copies is not a hardship.

A third-party originator ("TPO") as referenced in this article is a broker or a lender who does not have the Federal Housing Administration ("FHA") approval **and** an FHA-approved lender who is sponsored by another FHA-approved lender.

So, Why Do We Require Copies of Marketing Materials?

When FHA published Final Rule 24 CFR Part 202 FR 5356-F-02 and then issued Mortgagee Letter 2010-20, it became clear that FHA's oversight of TPOs was shifting to rest solely with the FHA-approved sponsoring lenders ("Lenders"). Lenders would have to change their TPO review and approval process to comply with the new requirements. Under the new rules, HUD holds the Lender responsible for ensuring that the sponsored TPO adheres to all applicable federal, state, local and program requirements specific to FHA loan originations and processing activities, which includes monitoring of advertising. If the TPO does not comply, FHA can take action against both the TPO and the Lender.

***Marketing Review** continued on page 19*

Marketing Review *continued from page 18*

In 2010 several agencies, including OCC, FRB, FDIC, OTS and NCUA, provided guidance. See *Federal Register* Vol. 75, No. 158 - "Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks" ("Guidance"). This article recommends that Lenders:

- Manage compliance and reputation risk, which includes due diligence and monitoring of the promotional materials used by TPOs;
- Avoid conflicts of interests;
- Improve communications with consumers by providing information that balances benefits, risks, and costs

Additionally, the Truth in Lending Act ("TILA"), Dodd-Frank Act, NRMLA Code of Ethics and Professional Responsibility and several state agencies all prohibit deceptive and misleading advertisements. The Consumer Financial Protection Bureau ("CFPB") has the authority to review for and prevent unfair, deceptive, or abusive acts or practices ("UDAAP"). It addresses UDAAP in its Supervision and Examination Manual (Manual) via a narrative beginning on page 174. The following is a reference from the Manual:

A representation, omission, act or practice is deceptive when:

1) The representation, omission, act or practice misleads or is likely to mislead the consumer,
2) The consumer's interpretation of the representation, omission, act, or practice is reasonable under the circumstances, and
3) The misleading representation, omission, act, or practice is material

(Manual at pg. 178)

The narrative further states:

> *…whether an act or practice is deceptive depends on how a reasonable member of the target audience would interpret the representation. When representations or marketing practices target a specific audience, such as older Americans, young people, or financially distressed consumers, the communication must be reviewed from the point of view of a reasonable member of that group.*
>
> (Manual at pg. 179)

Clear, Balanced, Not Misleading or Deceptive

Now that we understand the importance, the second point of this discussion is the process of TPO marketing and compliance monitoring. In order to meet the expectations set by FHA and other agencies, wholesale lenders should review, among other things, advertisements of those they sponsor.

Our goal is simple, ensure advertisements are:

- Clear
- Balanced
- Not misleading
- Not deceptive

In order to meet the expectations set by FHA and other agencies, wholesale lenders should review, among other things, advertisements of those they sponsor.

During the past year, many have struggled with the concept of creating a simple marketing piece that will meet all the parameters of the many rules and regulations. Obviously, if the marketing piece is the size of a business card, one is limited in the messaging. The Guidance mentioned previously, also provides the following example of a clear and balanced message and justification of how this complies:

Example:

We offer reverse mortgages to borrowers who are 62 or older. Call us for more information.

Justification Commentary:

This is clear and balanced because it does not make any representations about the benefits or risks of the product, and is not deceptive or misleading.

Marketing Review *continued on page 20*

Marketing Review *continued from page 19*

When considering deceptive or misleading information, deceptive or misleading is not just what has been written or voiced but may also include what has been omitted. For example, the following statement, as written, can be misleading and unbalanced:

> *"The borrowers continue to live in the home as long as they like."*

The above is not considered appropriate, as the borrowers must meet the terms of the Note and Loan Agreement in order to "live in the home as long as they like."

A clear, balanced, and transparent message covering their obligations is:

> *"The borrowers continue to live in the home as long as they make direct payments of required property taxes and insurance, maintain the home in good condition, and continue to occupy the home as their primary residence."*

What a Sponsoring Lender May Require

When a Lender is considering sponsoring a TPO, in addition to reviewing the typical financial and company records, they should require a sampling of recent advertising and marketing materials for the past six months or one year. This includes information regarding the TPO's active websites, individual loan originators' websites, and any DBA's they may be using. As a side note, the renewal or recertification process

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Marketing Review *continued from page 20*

will likely mirror the approval process as it relates to advertising, marketing, and website reviews.

During the review, the Lender will check:

- Company name and DBA's as registered with federal and state agencies
- NMLS Identifiers for the company and loan originator are present
- State specific requirements are met, e.g., license numbers, address of branch, individual loan originator, required verbiage for the state(s) in which the advertisement is being used
- Information is clear and balanced
- Not misleading or deceptive
- No "trigger" terms included
- Rates and terms, if applicable, are disclosed properly as per TILA

Adding these additional reviews and adhering to these rules and regulations is a benefit for all but most importantly the consumer.

What We Have Learned

As a servicing lender, we learn from borrowers how important messaging and marketing materials can be. This feedback, NRMLA's Ethics Advisory Opinions and webinars, and reading several published rules and regulations have been instrumental in revising our brochures and other promotional materials. Through our reviews of TPO's marketing materials, we find many are communicating the program well but there are still a few who need additional guidance. Adding these additional reviews and adhering to these rules and regulations is a benefit for all but most importantly the consumer. RM

Interviewing Lead Generators

The Questions You Should Ask to Make an Informed and Ethical Decision

By Jean Noble

JANUARY IS LIKE ADVERTISING UTOPIA. THE seasonal consumer product advertisers have retired their campaigns and now there's lots of media inventory available at discounted rates. This is when lead generators thrive – they have inventory, interested buyers and want your business. I know this first-hand as I ran a lead generation business for five years.

Now, before you field your next call with a lead company, here are some helpful tips when evaluating a new vendor to ensure they meet industry advertising standards:

STOP! Your Reputation Is at Stake

Sounds a little dramatic I know, but it's true. Your lead provider is introducing you to your next client. A prospect's very first experience with a reverse mortgage and with your firm is at the mercy of this third-party. Before you purchase, take some time to evaluate their marketing, messaging and overall customer experience. Misleading the customer just to aggregate more leads is just not acceptable!

It's essential that you understand each lead generator's "role" – there's a careful balance between a lead generator and an originator. A lead generator assists in identifying consumers who may be considering or interested in a reverse mortgage loan – that's all! Crossing over the invisible line from marketer to originator is sometimes unintentional so you need to really be aware. Here are some red flags that I hear in pitches:

- **"We sell qualified, pre-screened leads."**
  Well, that does sound great but if you think this through, who is qualifying the lead? Is the lead provider actually prescreening the client based on a HECM calculator? If so, are they notifying the client that they may not be qualified for a loan? Since most lead generators are not licensed, this is definitely problematic. A lead

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Lead Generators continued from page 22

generator should never be "decisioning" a lead, or performing origination activities, as defined under federal and state loan originator licensing laws.

- **"Our lead form replicates a mini-app."**
  In this situation, you need to ascertain how much information is being gathered by the lead generator. Again, if an unlicensed entity is collecting private information, such as a social security number or FICO score, then the company is crossing the boundary from a lead provider to an originator. Unlicensed individuals or entities (unless exempt) cannot take loan applications. Investigate and ask questions before you make a purchase decision.

- **"We specialize in HOT, live transfer leads"**
  Live transfer leads (also known as call verified leads) are all the rage. But think about this: you have a third party calling a prospect (or even worse outsourcing the task), providing generic information about the product, answering a few initial questions and then transferring the call to your firm. You are putting a great deal of trust in this lead company. Now, I am not saying that all live transfer leads are evil; I am just asking you to be especially careful and ask the following questions:
  - Are your calls recorded? What is your quality control plan?
  - Do you have a script? And can I review it?
  - Is it an internal call center or a contracted third party?
  - Are you informing the prospect if they "qualify" or not?
  - Are you licensed in any states to originate or broker mortgage loans?
  - Are you obtaining the prospect's permission to transfer them and/or their information to a third party?

At the end of the day, you and your business may be responsible for your lead provider's actions. After your initial investigation, you need to feel comfortable that they are operating ethically, staying within the boundaries of a lead aggregator and are educating the consumer responsibly.

Take a Test Drive Before You Buy

You wouldn't buy a car without test driving it, nor should you buy leads without testing the process; walk through the experience as if you are a consumer from beginning to end. There's intense scrutiny on advertisers (and it's warranted) and you need to be fully aware of the lead generator's actions. Create a checklist like what's below to evaluate a lead provider's process:

- **Does messaging comply with industry standards?**
  You do not need to be a compliance attorney to do the initial screening. Use NRMLA's Ethics Advisory Opinion 2012-1, Attachment A (also known as the "Dirty Dozen") as a guideline. This memo is my bible – at a glance, it outlines 12 unethical advertising practices that must be avoided.

- **Are there any other products or services being marketed to the consumer?**
  If the reverse mortgage offer is being combined with other financial products then that's a deal killer. But, in some instances consumers are lured to a site based on a prescription discount offer and are then presented with a secondary up-sell like "are you interested in some additional information about reverse mortgages." Make sure the secondary offer is clearly communicated – this way the consumer will expect your call without feeling misled.

- **Is the consumer aware that their information will be shared with third parties?**
  This is commonly done via an opt-in question or a checkbox on an online form ("Terms & Conditions"). For your protection, you need expressed consent to contact the lead otherwise your firm can be violating do-not-call rules.

- **If you are purchasing non-exclusive leads, is the consumer aware that multiple lenders may be contacting them?**
  This is a good best practice and will ultimately boost lead conversion if it's done. If the lead is being inundated with calls then they'll get turned off immediately.

- **What type of consumer information is being gathered?**
  You want to make sure the lead provider is not asking

Lead Generators continued on page 24

Lead Generators continued from page 23

for private information such as a social security number, running credit, or harvesting information that could constitute a loan application.

Don't be afraid to push back on the lead provider and ask for changes if you see fit. What benefits you, benefits the consumer. And it's always recommended that your compliance officer or attorney review all the creative before leads are purchased.

The Truth about Lead Generators and State Licensing

States may scrutinize the activity of lead generators. One such state is Arizona. According to NRMLA's Ethics Advisory Opinion 2009-2 (Lead Generation State Licensing Requirements and Ethical Advertising), "Arizona generally is of the view that a company is engaged in such licensable activity if it directly or indirectly provides consulting or advisory services to a borrower concerning the identity of potential lenders, and that the Arizona Department of Financial Institutions has cited a number of mortgage lenders for purchasing leads from unlicensed lead generators."

The moral of the story is that you need to be aware of the risks of acquiring leads in such states and understand that your firm could be held accountable for unlicensed activity.

Lead generators provide a great service to our industry but you need to understand that your firm may ultimately be responsible for their actions. Perform proper due diligence on a new vendor and really vet out their processes before you engage in a transaction. At the end of the day, you can sleep better knowing your company's reputation remains intact.

Disclaimer: This information does not intend to or provide legal advice or potential licensing obligations. The information presented is best practices based on NRMLA Ethics Advisories and local/state/federal marketing compliance rules. You must consult your own counsel or compliance team for advice. RM

Much Ado about FHA's MMI Fund

By Atare Agbamu

IF YOU HAVE BEEN DOING SOMETHING SUCCESSFUL-fully for almost 79 years there is a very good chance you know what you are doing. It does not mean you are not going to stumble or even fail; it means you know your game.

That is how we should look at the jarring if expected audit in November 2012 that the grandmother of America's mortgage insurance funds, FHA's venerable Mutual Mortgage Insurance (MMI) Fund, is in the red by $16.3 billion.

Many in reverse country are concerned because, since fiscal 2009, federal law made the MMI Fund (the Fund) guardian of the much smaller HECM-MMI fund (HECM fund). A separate audit says HECM fund is in the hole too by $2.8 billion.

Understandably, reverse-mortgage industry folks are asking questions: How did the industry end up in the Fund? What role does the HECM fund play in HECM lending? What steps will return the funds to financial health? What happens next with the audit? And what does the funds' future look like?

Understandably, reverse-mortgage industry folks are asking questions: How did the industry end up in the Fund?

The FHA Modernization Act, part of the Housing and Economic Recovery Act (HERA) of 2008, gave the $1.1-trillion Fund custody of the $78.21-billion HECM fund (FY2009-2012 loans only) putting all FHA single-family loans in one basket. To support HECM lending, Congress told the Fund to take care of the HECM fund and cover its losses.

Backing HECM lending is the fund's primary role. It does this by protecting lenders against crossover risk (the central risk in reverse-mortgage lending), the chance that loan-balance will exceed home value at loan termination. Lenders can return a loan to FHA when loan-balance reaches 98 percent of MCA (Assignment), a major benefit in managing lender loan-loss risks. When this happens, FHA changes role from insurer to note-holder (lender) and services loans until termination. It's why we have two notes and two mortgages in HECM lending. FHA insurance also protects the borrower if the lender goes belly up and cash advances stop. FHA keeps cash flowing to the borrower. HECM fund is the industry's backbone. Without it, there is no HECM industry, and possibly no reverse mortgage industry.

Since both guardian and ward are bleeding accounting red ink and theoretically risking HECM lending, what steps has FHA taken to return the funds' books to black? It has raised prices (premiums) for its insurance products: for reverse loans, the annual MIP is up 150 percent since 2010, credit limits are smaller, foreclosure counseling is priority, "financial assessment" or credit underwriting is coming, and restrictions on fixed-rate lump-sum cash advance plan could come any day; for forward loans, MIP is up too, underwriting and appraisal rules are tighter, bad loans are being sold at about 10,000 every quarter to raise cash, and foreclosure prevention measures are up. Outside FHA's

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control, two major signs look strong.

Rising home prices and the improving economy will return the funds to actuarial health. Private or public, the fortunes of mortgage insurance companies follow these two key signs. We have been here before.

Between 1980 and 1986, a weak economy and loads of bad loans attacked the Fund and its capital ratio dropped, scaring Jack Kemp's HUD, Bush 41 White House, and Congress into action. The result was the Cranston-Gonzalez National Affordable Housing Act (NAHA) of 1990. The policy tools NAHA gave FHA and the economic boom of the Clinton years replenished the Fund's actuarial coffers faster than even auditors predicted.

So what happens next as a result of the funds' red-ink scare this time? Business goes on as usual. The Fund still has about $33 billion to meet claims. Policy pills FHA has taken will gradually kick in and do their work. Rising home prices and a growing economy will do the rest.

Although it has never done it in almost 79 years of insuring the American dream for more than 41 million households, FHA can go to the US Treasury for cash if the need arises, and it does not need to go through Congress.

The 2007-2009 financial and economic crisis and resulting Fannie Mae and Freddie Mac's bailout still haunt some commentators and policymakers; but, if you ask me, the Fund and its ward have a bright future. My optimism rests on history.

A government insurance business that has operated successfully for nearly 79 years without taxpayer help can overcome red ink and return to actuarial health. There is way too much ado about the Fund's capital ratio. RM

Where Can You Get Your CRMP Continuing Education Credits?

Though we offer CE credits at every conference, you don't have to be dependent upon NRMLA to meet your annual 12 credit requirement.

The following courses have all been approved for credit. (Or you can submit another course you have taken for approval.):

Nationwide Mortgage Licensing System & Registry (NMLS)

The NMLS license exam requires a three credit course devoted to Federal Law and Regulations. This course is eligible for three credits. A copy of the completion certificate must be submitted to Darryl Hicks, dhicks@dworbell.com.

The 2012 8 Hour SAFE—Maintaining Momentum in the Changing Mortgage Marketplace *(3 credits)*

If you have taken any other NMLS courses that focus on federal real estate laws and regulations, you may be eligible to receive a portion of the credits. Please email a copy of the syllabus, instructor bios, and completion certificate to Darryl Hicks, dhicks@dworbell.com.

Generation Mortgage Company

Reverse Mortgage 101 *(1 credit)*

Reverse Mortgage 201 *(1 credit)*

Reverse Mortgage Products *(1 credit)*

Contact: *Dan Hultquist (404) 995-5233 dan.hultquist@generationmortgage.com*

Genworth Financial Home Equity Access

Understanding Financial Advisors *(1 credit)*

Contact: *Jud Lyman, (916) 384-1275 judson.lyman@genworth.com*

Tradition Title Agency, Inc.

(credits are only available to loan originators licensed in New York)

Power of Attorney and Life Estate Basics for the Reverse Mortgage Transaction *(1 credit)*

Trust Basics for the Reverse Mortgage Transaction *(1 credit)*

Understanding a Title Report *(1 credit)*

Contact: *Karen Keating, (631) 328-4410, kkeating@traditionta.com*

Premier Reverse Closings

Trusts, POAs, Conservatorships and Life Estates *(1 credit)*

Contact: *Alissa Scott-Prieto, (347) 281-0342, aprieto@prclosings.com*

Reverse Focus

Reverse Basics *(2 credits)*

Contact: *Shannon Hicks, 800-805-9328, ext. 4 , shannon@reversefortunes.com*

Security One Lending

HECM for Purchase *(1 credit)*

Reverse Mortgage Fundamentals *(1 credit)*

HECM to HECM Refinances *(1 credit)*

Assessing the Needs of Your Borrower *(1 credit)*

Contact: *Craig Barnes, 845-725-8057, cbarnes@s1l.com*

Other Professional Designations

Pending review and approval, up to 3 hours of credits taken in pursuit of another designation or license may be submitted toward the CRMP.

The three-day certification class that individuals must sit through to obtain the Certified Senior Advisor (CSA) designation has been approved for 3 credits.

Who's Who in Reverse Mortgages

Profiles of NRMLA Member Companies

American Consumer Credit Counseling

American Consumer Credit Counseling (ACCC) is a non-profit (501) (c)(3) organization, offering confidential housing counseling credit counseling, debt management, bankruptcy counseling, and financial education to consumers nationwide. Founded in 1991, ACCC is a leader in the industry and has more than twenty years of national experience. ACCC is approved by the U.S. Department of Housing and Urban Development and by the Massachusetts Executive Office of Elder Affairs. ACCC is accredited by the Better Business Bureau, a Member of the Association of Independent Consumer Credit Counseling Agencies, and is ISO 9000 certified. Since 1991 ACCC has helped more than 1 million consumers with financial counseling assistance.

Housing Counseling Department: 1-866-318-7583
E-mail: HousingGroup@consumercredit.com

Bay Docs, Inc.

Since 1994, Bay Docs' core focus has been providing compliant reverse mortgage document packages. We continue to be the only document preparation company in the nation dedicated solely to the reverse mortgage industry. In 2011 we expanded our services and introduced Reverse Express™ a lightening fast LOS. This system is 100% online and provides a user friendly solution for calculations, required disclosures, application and closing packages as well as several post-closing functions. Bay Docs is also integrated with nearly every lender LOS available today. We have a highly experienced and qualified staff providing our clients with expertise in legal, compliance and technology.

Discover what nearly 18 years of industry experience can do for you!

Call (888) 297-3627 for a free demo of our software …
or check us out at www.baydocs.net. Contact: Megen Lawler
(415) 209-9424 or email mlawler@baydocs.net

Celink

Celink's Reverse Mortgage Servicing Mission is threefold.

We Lead — Ethics, integrity, and unwavering core values direct all of our actions.

We Support — We support our clients through new and often uncharted territory.

We Innovate — We explore and uncover new and cost-effective ways to increase our value to our clients and their borrowers.

We meet every industry challenge and every client and borrower need with the confidence that comes from knowing who we are and what we're about. Your reputation and your borrowers are safe with Celink. Visit celink.com for a full Corporate Overview.

John LaRose, CEO: john@celink.com (517) 321-9002
Ryan LaRose, President &COO: ryan@celink.com
(517) 321-5491

Debthelper

With locations in Florida, Nevada and Massachusetts, Credit Card Management Services, Inc. doing business as Debthelper.com is a HUD Approved 501c3 Non-Profit ISO 9001 Multi-State Agency. Debthelper focuses on individualized counseling and education, while stressing the importance of excellent customer service. Debthelper is notably utilized by more clients because of its availability of counseling sessions in multiple languages, with a fast turnaround.

Debthelper.com is a member of the Association of Independent Credit Counseling Agencies (AICCCA), the Association of Credit Counseling Professionals (ACCPros) and its Counselors adopt the National Industry Standards for Homeownership Education and Counseling (NISHEC). Debthelper.com has an A+ Rating with the Better Business Bureau (BBB).

Debthelper.com has served over 190,000 clients since 1996 for the services of money and debt management; reverse mortgage counseling to both new and current borrowers, bankruptcy counseling, foreclosure prevention and home buying counseling and education.

Phone 1-800-920-2262 Fax: 1-866-561-2622
Email: hecmeducation@debthelper.com
Website: www.debthelper.com

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Genworth

Genworth Financial Home Equity Access, Inc. (GFHEA) is one of the largest reverse mortgage lenders and is a subsidiary of Genworth Financial, Inc. For more than 137 years, the Genworth Financial companies have helped seniors achieve financial security with innovative products and retirement income strategies.

We are customer-focused and dedicated to helping seniors meet their financial goals in retirement. When you work with us, you get superior customer service with the flexibility and expertise that only an exclusive reverse mortgage partner can deliver.

GFHEA is a proud member of the National Reverse Mortgage Lenders Association (NRMLA) and committed to the advancement of reverse mortgages.

www.genworthreversemortgage.com
For career opportunities call (916) 384-1853
For wholesale opportunities call (866) 871-1353

James B. Nutter & Company

Known as America's First FHA Reverse Mortgage Lender, James B. Nutter & Company is a national mortgage banking firm licensed in 50 states, the District of Columbia and the Commonwealth of Puerto Rico. Founded in 1951, the company's headquarters are located in Kansas City, Missouri where the firm specializes in originating FHA, VA and Conventional loans. In 1989, James B. Nutter & Company was honored to close the first FHA HECM Reverse Mortgage in the nation for Ms. Marjorie Mason of Fairway, Kansas.

www.jamesbnutter.com
Retail Division: Chris Peters (800) 342-7334
Wholesale Division: Paul Madson (800) 798-3946

Moneyhouse

Moneyhouse is a family-owned company that focuses on providing distinguished, personalized service to each and every one of our clients. Our mission is simple: Help seniors and their families continue to live safely and financially secure in their homes through the benefits of a reverse mortgage. Moneyhouse is a proud member and of supporter of NRMLA. One House, One Team One Goal…Moneyhouse

Visit us at: www.moneyhouseus.com
Email us at: sandy@moneyhouseus.com
Or call: Sandy Tennekoon 918-340-4398

Premiere Reverse Closings

Premier Reverse Closings is a nationwide full-service title and settlement company that focuses on smooth closing of reverse mortgage loans. PRC's staff has made their mark over the past 15 years in the reverse mortgage title and settlement industry by offering a consistent combination of professionalism, experience, diligence and customer care. It is this combination that has helped lenders and brokers successfully close over 140,000 reverse mortgage transactions with our team.

At PRC you will find innovative customer service resources, experienced Settlement Officers, knowledgeable legal departments and Title Officers well versed in reverse mortgage and backed by the strongest group of underwriters in the industry. We process efficiently and effectively so that you can be rest assured that your transaction will close on time, be handled with care and most importantly…we take pride in what we do and it shows.

Contact us at 800-542-4113
You can also find us on the web at www.PRClosings.com

Reverse Mortgage Solutions

When your experience was built on servicing reverse mortgages, you have a unique lending perspective: the quality of the loans originated. This translates into RMS becoming an industry leader in reverse mortgage lending and loan servicing. We are the largest privately held mortgage servicer in the US and a full service independent mortgage banking company. Our well-seasoned staff will provide you exceptional level of services with market leading pricing. To accelerate your growth, go here: www.RMPath.com

Contact: Ralph E. Rosynek, Jr. / VP National – Wholesale and Correspondent Production Manager
Phone: (281) 404-7970
E-mail: RRosynek@rmsnav.com

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Reverse Vision

ReverseVision is a leading technology company in the reverse mortgage industry. 10,000 users in 1000 companies rely on ReverseVision to originate reverse mortgages. Loan officers like the simplicity of ReverseVision and the powerful graphical representation of reverse mortgages. Lenders rely on ReverseVision for RESPA compliance and use ReverseVision's reporting features to manage their operation. ReverseVision is privately owned and independent and focuses on reverse mortgages exclusively. The company is located in North Carolina and employs a team of leading software engineers and reverse mortgage specialists with a combined experience of over 50 years.

www.reversevision.com
(919) 834-0070
info@reversevision.com

Urban Financial

Urban Financial Group (UFG) is a lender specializing in reverse mortgages and ranks among the top originators in the United States. Our retail division is licensed in 42 states, and our wholesale operation (ReverseIt!) is licensed in 41 states and Puerto Rico. UFG acts as a direct originator, purchaser of whole loans through our third-party originator channel, and is one of the largest issuers of GNMA securities.

Every day, we find innovative ways to serve our clients through the insight of our people and the strength of our technology. We consistently refine our process to ensure that all loans are closed accurately, quickly and above all – ethically. Fundamental values guide our business practices: commitment, motivation, integrity, simplicity, flexibility, focus and versatility. Through these values we earn and keep the trust of our clients.

To learn more about UFG and ReverseIt, call 888-777-3311
www.urbanfinancialgroup.com
www.reverseit.com

Contact: Sherry Apanay
E-mail: sapanay@urbanfinancialgroup.com RM

One Result of Reverse Mortgages

77 million
Number of baby boomers gradually entering the senior sector.

50%
Federal Reserve estimate of boomers with no retirement savings.

$49,800
Average savings of those who have saved (other than home equity).

80%
Seniors who have substantial equity in their homes.

81%
Seniors who plan to remain in homes for as long as possible.

43%
Seniors who report they could not afford to remain in homes without using reverse mortgages to pay off forward mortgages.

$80,000
Average national annual cost per resident of basic nursing home care.

4x
as expensive
Reported cost to a typical state (Pennsylvania) of nursing home resident as opposed to senior who remains in own home.

595,000
Current number of active HECMs.

$19 billion
Annual cost of nursing home care for those 43% of HECM borrowers who needed a reverse mortgage to afford to remain in home if they did not have access to reverse mortgages.

ONE HOUSE.

ONE TEAM.

ONE GOAL.

To be successful, you need more than a partner; you need an ally. Moneyhouse is committed to growing your reverse mortgage business. We offer actual people to assist you (not automated phone menus). We are developing new marketing tools you can customize to help you secure borrowers. We also provide efficient services to close loans fast to make you and your clients happy.

Did we mention we have some of the industry's pioneers working at Moneyhouse, too?

Sandy Tennekoon
Senior Vice President, Head of US Expansion

Gloria Betencourt
Account Executive

Now accepting applications in TX, FL & OK!
Visit us online at...

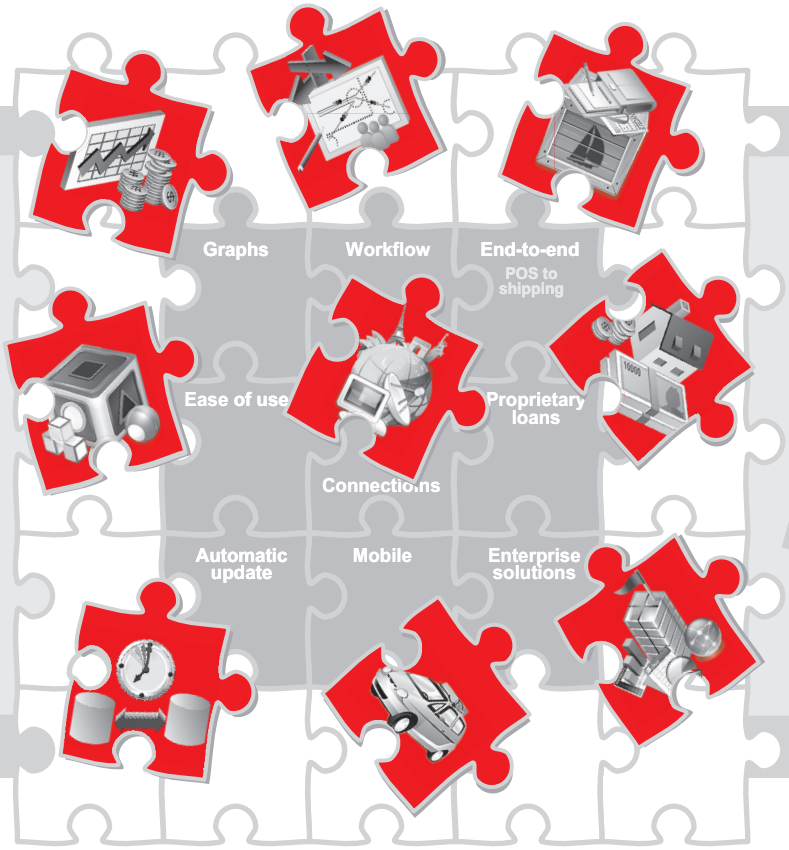
Moneyhouse
us.com

EQUAL HOUSING LENDER

REVERSEVISION

ReverseVision Suite

ReverseVision Suite is the leading reverse mortgage origination solution for mid to large sized organizations. It covers all aspects of the origination process from prospect to closing and shipping.



Companies switching to ReverseVision experience an immediate increase in their productivity.

- Complete integration from origination to processing, underwriting, closing and shipping.
- Highly scalable from small entities to enterprises with correspondents and branches.
- Sales oriented graphical interface integrates directly with Microsoft Word and Outlook.
- Direct interface or export for Celink, RMS, Fannie Mae, UBS, Goldman Sachs...
- Business process driven workflow for best practices in the reverse mortgage industry.

Over the past 12 months more than 100 companies with over 2000 users switched to ReverseVision.

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