Reverse Mortgage

NRMLA IN NOLA

The official magazine of the National Reverse Mortgage Lenders Association
January - February 2011 Volume 4 No. 1 • www.NRMLAonline.org

Discovering the new world of Reverse Mortgages

Highlights and Insights from NRMLA's 2010 Annual Meeting

Page 8

NRMLA
National Reverse Mortgage Lenders Association

Inside:

REVERSEVISION

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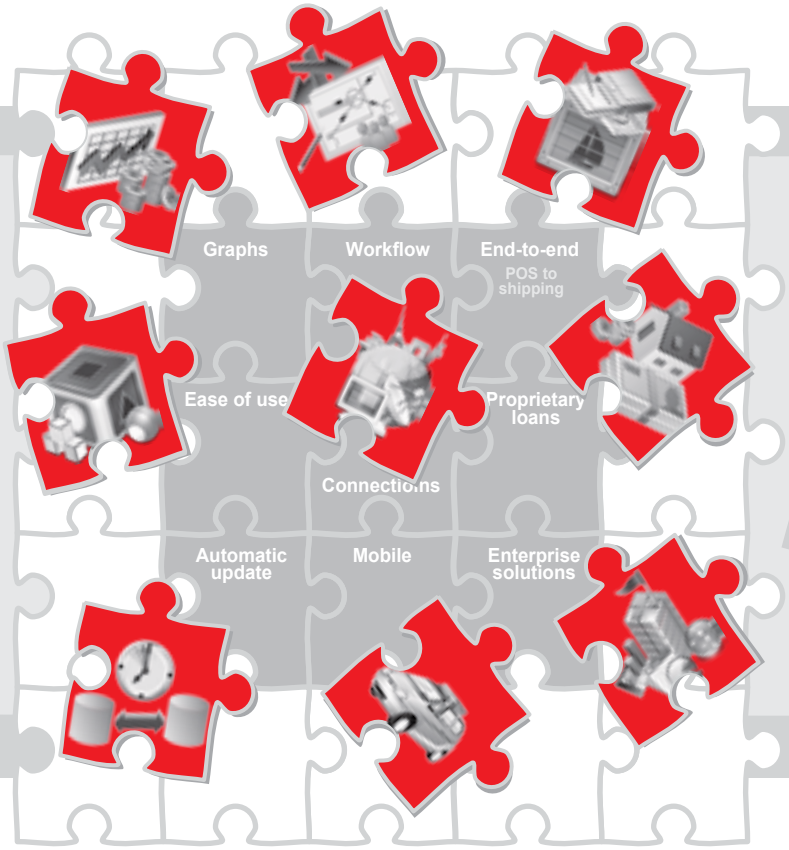

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Discovering the New World of Reverse Mortgages

Highlights and Insights from the 2010 NRMLA Annual Meeting in New Orleans

By Marty Bell

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NRMLA IN NOLA *Special*

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NRMLA
National Reverse Mortgage Lenders Association

Reverse Mortgage

PUBLISHER
Peter Bell
pbell@dworbell.com

ASSOCIATE EDITOR
Darryl Hicks
dhicks@dworbell.com

DIRECTOR OF COMMUNICATIONS & MARKETING
Marty Bell
mbell@dworbell.com

NRMLA EXECUTIVE COMMITTEE CO-CHAIRS
Cheryl MacNally
John Nixon

ART DIRECTOR
Alex Kwanten
akwanten@royalmedia.com

ADVERTISING SALES
Taylor Mach
tmach@royalmedia.com

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Association & Subscription Contact:
National Reverse Mortgage Lenders Association
1400 16th St., NW, Suite 420
Washington, DC 20036
202-939-1760
llatimore@dworbell.com
Industry: www.nrmlaonline.org
Consumers: www.reversemortgage.org

Advertising & Editorial Contact:
Royal Media Group
80 Broad Street, Suite 1701
New York, NY 10004
(212) 564-8972
info@royalmedia.com
www.royalmedia.com

NRMLA
National Reverse Mortgage Lenders Association

Balanced Viewpoint

By Peter Bell, President of NRMLA

A Choice We Need to Make

The recent comment period on the Federal Reserve Board's proposed rule on Reg. Z, which included a few provisions specific to reverse mortgages, brought our critics out of the woodwork. Comments filed by the National Consumer Law Center, AARP and others indicate that there is a broad-based concern about various things that take place in and around the reverse mortgage business.

Three items of particular concern are 1.) the aggressive marketing of "full draw" HECMs; 2.) the encouragement of seniors who choose a line of credit to draw down larger sums upfront; and 3.) the sale of various other investment vehicles to seniors who now have funds to manage as a result of taking out a lot of cash from a reverse mortgage.

The image of our industry created by these activities is exacerbated by the continued use of direct mail ads that appear to offer a "special government assistance program for older homeowners," or by a facsimile of a check made out to the homeowner for the full principal limit that would be available, indicating to the homeowner that if they simply call the 800 number, they could replace the facsimile with a real check for that amount of money. Our image is also impacted by negative perceptions of infomercials and television advertising for reverse mortgages.

I realize that these advertising techniques are proving to be effective for those who utilize them. In fact, in our recent focus group research and polling of reverse mortgage borrowers, we heard from many that they first learned about reverse mortgages from television commercials. However, we must not pull the wool over our own eyes. We need to recognize that, while such promotional methods might be effective in the near term, they are creating skepticism about our industry that has a long term impact on our image and fuels the critics' and regulators' zeal to place greater controls on us. Is that a trade it is wise for us to make?

In a series of meetings I had recently with major national media outlets in NYC, I found great consistency in reporters' and editorial writers' concerns. This is from journalists who work at major publications where they have the time and luxury to thoroughly research topics and have generally been positively pre-disposed towards reverse mortgages as I have talked with them over the years.

They are concerned that if seniors pull all or most of the cash out of their home, without adequate safeguards, the seniors will "park" their money in investment and insurance products that will deplete their "nest egg," yet not provide any real substantial benefit that enhances the homeowner's financial stability in the long run.

While we can argue that sales of investment and insurance products are governed by other laws and are separate from the reverse mortgage transaction, that is not a good enough answer for the advocates. That smacks of being a "that's not my table" type of answer, which we all hate to hear when we ask a waiter in a restaurant for something and are told it's not his responsibility.

If we are to overcome the skepticism about our products and the companies and individuals who deliver them, we must be willing to step up to the plate and accept accountability – for both our own actions and for others who might utilize funding provided by our products to sell other financial services. Until we do, the barrage of critical research reports and negative press coverage, leading to new laws and regulations, will only continue.

If the reverse mortgage industry is to grow beyond the limited reach we've achieved thus far, we cannot continue to listen to our critics with a "tin ear." To do so, will leave us as a peripheral product for years to come, when we know many households could benefit from what we have to offer. If we want to become a mainstream product, we need to fully comprehend the concerns of those who observe what we do and make sure their worries are laid to rest.

The reverse mortgage industry needs to be candid with ourselves about what it is that fuels the concerns, the adverse publicity and the suspicious regulatory environment. The ability to overcome this is ours and only ours alone. Are we up to the task?

—P.H.B.

In Reverse

A Spotlight on the People of Reverse Mortgages

NRMLA Members Show Heart

On Nov. 2, the day before the National Reverse Mortgage Lending Association's annual meeting began in New Orleans, 54 NRMLA members came together to work to clean up the wetlands surrounding the area.

"We're in the business of helping seniors," says **Rhiannon Behnke**, senior vice president of San Diego, Calif.-based **Security One Lending**, who spearheaded the volunteer event. "If you're in a business to help people, why wouldn't you want to reach out? Especially during a time with this type of economy, we all need something we can do so that we can come home and feel good about what we've done."

To find out about the volunteer experience that was sponsored by nonprofit eco/humanitarian organization Project 195, *Reverse Mortgage* magazine caught up with Behnke. An excerpt from that conversation:

Reverse Mortage: How did you get involved in the community project?

Rhiannon Behnke: We have an organization at Security One called Community One, which promotes community involvement. I run that division, and we've done a number of projects locally and internationally, such as coaching local Special Olympics's teams, supporting an orphanage in Africa and volunteering for Habitat For Humanity.

I love going to our annual conferences, and I wanted to go out early this year to help out in the New Orleans community, and maybe work on beach cleanup after the BP oil spill. I made a search of projects through VolunteerMatch.com, but I found out that the beach cleanup wouldn't work, because you had to volunteer too many days and take a number of classes beforehand. But then I was referred to Project 195, which was involved in cleaning up the wetlands near New Orleans. It was perfect for what I wanted to do.

RM: How did you get others to join in on your efforts?

RB: Once I had chosen this project, I began contacting friends in the industry who I thought might want to help out. Then, Reverse Mortgage Daily found out about it and did a small article. That got a lot of people's attention. What I thought was going to be a project of about ten of us suddenly snowballed into 54 people. It was amazing to see senior executives from reverse mortgage companies from all over the country, all working together to help the community.

RM: What companies helped out?

RB: We had executives from companies such as Bank of America, Genworth Financial, Generation Mortgage, Live Well Financial, Urban Financial, ReverseVision, Reverse Market Insight, Security One Lending, Premier Reverse Closings, Reverse Mortgage Daily, AAG, Franklin Funding, Wells Fargo Home Mortgage, LSI and First National Bank.

RM: Did the amount of support surprise you?

RB: In our industry, we're used to working as a team. We're all working to help seniors, so it is not surprising that we could come together like this to help a community organization.

RM: Tell me about the actual volunteer experience. What was the day like?

RB: We split up into two groups. The first group picked up trash — It is awful how people manage to throw their trash everywhere, even in the wetlands. My group was responsible for digging up Bamboo plants that are indigenous to the region and

54 NRMLA Members gathered on a cold November day to help with Project 195's program to restore wetlands around New Orleans in the wake of the BP oil spill.

> "It was amazing to see senior executives from reverse mortgage companies from all over the country, all working together to help the community."
>
> — Rhiannon Behnke, senior vice president, Security One Lending

replanting them. We replanted about 350 of them and worked in the rain with water up to our waists.

RM: How did everyone feel about the project?

RB: We had the weather working against us and we had to work in driving rain, but I was so impressed with the commitment of the team members. We all believed this was something important to do and it was so worthwhile to do this.

RM: Why do you think it is important for mortgage lenders to be involved in projects such as this one?

RB: Helping people is why I got into this business. When I was ten years old, I began volunteering at a senior center. As I got older, I continued to help seniors, and when I heard about the reverse mortgage business, I saw it as a way to help seniors and make a living at the same time. I still volunteer at the same senior center that I started with when I was ten years old.

RM: What advice would you tell other mortgage lenders who are interested in getting involved in community service?

RB: Make sure you do extensive research to find the right organizations that are really helping people. There are a number of web sites, such as VolunteerMatch.com, which have already done the research, and they will be able to help identify organizations that are really worthwhile, and they can help match up your talents and time commitments to organizations that can use those talents. If you still need help, you can contact me for ideas.

RM: Do you expect to organize a similar project before next year's conference?

RB: Definitely. Once they announce where next year's meeting is going to be, I can begin to look for worthwhile projects. If they have it in New Orleans next year, I have already made some contacts with Habitat For Humanity.

Who's News


Tony Locy

> **Landmark Mortgage Group**, a division of Opes Advisors, has welcomed **Tony Locy** (DRE License # 01176914 NMLS#: 248806) as branch manager of Landmark's Danville-San Ramon, Calif.-based office. His responsibilities will include branch expansion and staffing, while also continuing to originate loans. Locy is a California native.

The mortgage firm, specializing in residential lending, offers conventional, jumbo, FHA, VA and reverse mortgage products.

> **HomEquity Bank** celebrated its 25th anniversary originating reverse mortgages last December.

The company, formerly known as the Canadian Home Income Plan Corporation, reports it has "seen record originations of $201 million in the latest four quarters and a portfolio of $985 million projected to exceed $1 billion before the end of the year."

HomEquity Bank, a Schedule 1 Canadian Bank, is a wholly owned subsidiary of **HOMEQ Corp.**

> **Generation Mortgage Co.** has made a number of recent new hires. **Nick Mathe** has joined the team as a senior vice president, western regional manager; **John Loveless** and **Anneta Pope** have been added as wholesale customer account managers; and **Kathy Blond**, **Bob Boudreau**, **Scott Hearon**, **Dick Holmes**, **Michael McIntyre** and **James Mallen** have joined the Company as national field retail reverse mortgage professionals.

> **Southern Trust Mortgage** announced **Neil Sweren** has earned NRMLA's Certified Reverse Mortgage Professional (CRMP) designation. Sweren is one of 28 to hold the certification, which distinguishes an individual as having superior knowledge and competency in the reverse mortgage area, while also upholding the highest ethical and professional standards.


Neil Sweren

Headquartered in Virginia Beach, Va., Southern Trust Mortgage is a full-service mortgage lender.

> **Eugene Genovese** of Howell, N.J. has joined **MetLife Bank N.A.** as a reverse mortgage consultant for Monmouth, Middlesex and Mercer counties. Prior to joining MetLife, Genovese worked as a reverse mortgage specialist for **OceanFirst Bank**.

MetLife Bank is a federally chartered bank.

Discovering the New World of Reverse Mortgages

Highlights and Insights from NRMLA's 2010 Annual Meeting

NRMLA Goes to NOLA

We watched the Saints-Steelers game on a lacy balcony overlooking the Mississippi surrounded by people dressed all in black and gold. We spent Halloween midnight on Frenchman Street where the hookers had to hold up signs to distinguish themselves from the local revelers and election night listening to the jazz band celebrating new Congressman Cedric Richmond's victory. We swayed and sashayed within the tightly packed crowd to the Soul Rebels brass Uptown and to Kermit Ruffin's sax in the Bywater. We ate too much bread pudding at Galatoire's and too much fried everything at Mother's. And in between it all, we heard a lot of good smart talk about how the changes in reverse mortgages were going to affect our businesses.

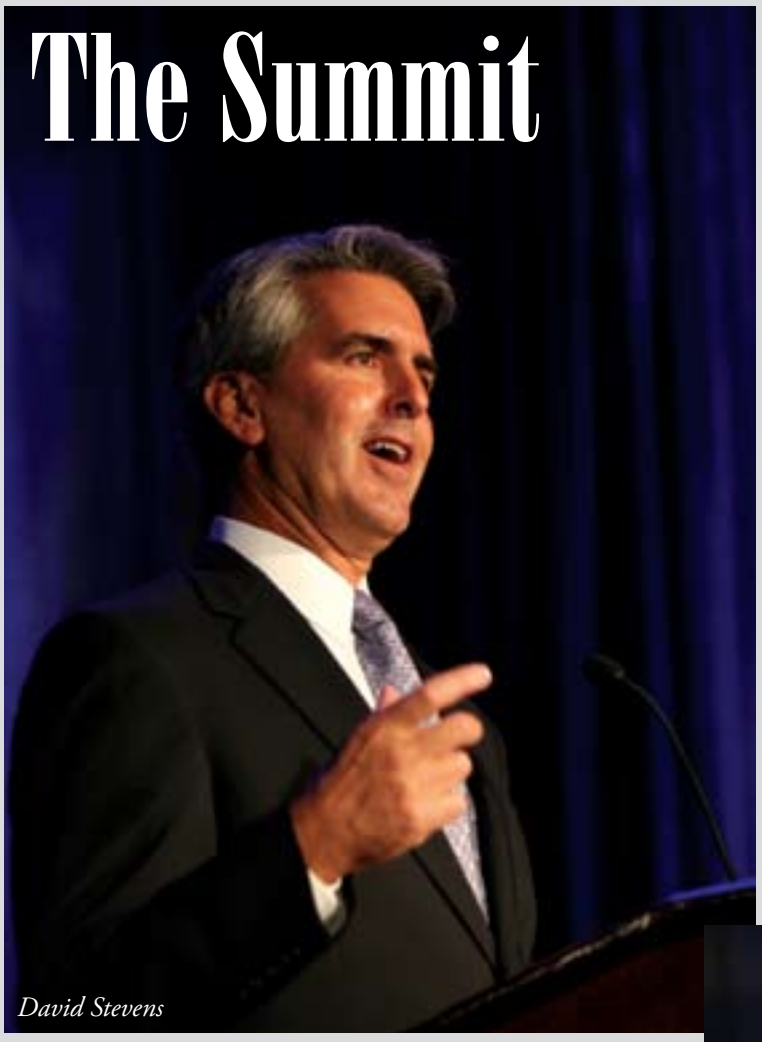
This November, NRMLA went to NOLA. And the only flood in this brave town this year was a flood of ideas. How to sell the HECM Saver to clients. What the secondary market needed to sell it to investors. How large was Ginnie Mae's appetite for the product. How to use the Financial Inteview Tool in Counseling. What was in store for the U.S. economy. It was a head-spinning three days in a fun-loving city. The mood in the Expo Hall and ballrooms at the Roosevelt Hotel was optimistic and eager.

NRMLA President Peter Bell

Like the city we gathered in, the driving spirit seemed to be resurgence.

If you didn't get to join us this year, here are some highlights. (And if you were there, here are some fond memories.)

The Summit



David Stevens

FHA Commissioner David Stevens:

"We need a system built on accountability. We need to shine a light on bad players.

"The fact that we're promoting a program that can clearly help seniors who need liquidity because they have no other source of income and can allow them to stay in their home, really good stories that I just read in your *Reverse Mortgage* magazine that contains interviews with seniors who talked about how the reverse mortgage allowed them to stay in their homes into their 80s, these are the stories we need to tell. The stories where we see people selling vacations, false assumptions about returns on investments, things that are high risk, are what concern me most. We need to have greater accountability, but it's only going to come from people in this room. We're never going to find them, unless you as a group collectively shine a light on these firms and notify me. Let's make sure we get the bad players out of this industry. It's not fair to your own individual reputations when we allow these guys to exist."

Ginnie Mae President Ted Tozer:

"A lot of people have asked us how we can be customer-centric if you have a moratorium in place the past few months on approving new (Ginnie Mae) issuers. I want to announce that we will be lifting the moratorium as of the end of the year (2010). We will have new criteria out for issuers. We're trying to deal with all of our stakeholders — issuers, the investment community, as well as the U.S. taxpayer — and try to balance all three of those. I apologize for how long it has taken us to lift the moratorium, but we wanted to make sure we have a program that is viable. We have a lot invested in the HMBS, just like you, and we want to make it succeed. We want our issuer base to be as broad and as strong it can be. The more people we have using HMBS, the more viable the HECM program will be, which hopefully a better price that we can pass on to seniors."

Ted Tozer

Story continued on following page

Launching the HECM Saver

Jeff Lewis (at right, speaking)

Generation Mortgage Chair Jeff Lewis:

"At the end of the day, in our industry, there are four people at the table when we close a loan. There is us (lender), the borrower, the borrower's advocates and the investor. We are the fourth most important. We all have an obligation if we want this industry to continue to look past the next five minutes and the next five days and make sure we're doing what's in the best interests of the client. Everybody knows that if you do a Saver, you're going to make less money than if the person chose a different product. If you're presenting things fairly to people, and allowing them to make their own decisions in terms of what is best for them, people will choose Saver. If we as an industry do not take special care to recognize all who are at the table with us, if we create Savers that are just springboards into future Standards that are excessively fast, if we put people into fixed (rate products) who could have used a Saver, if we don't tell people about the options that are available to them because of what suits us, we are going to damage the industry and damage it for a long time."

Vicki Bott

HUD Deputy Assistant Secretary Vicki Bott:

"We are very excited for Saver to be out there for two reasons. One, it fulfilled a very necessary need of ours from a budgetary standpoint, and secondly, it was a product that had been asked for many years. I know from my private sector days one of the common things I heard about reverse mortgages was the cost, that they were too expensive, and that there were seniors who didn't need to take all the equity that was made available to them. With the Saver product, it was nice to put something out there that not only fulfilled our budgetary requirements, but meets the needs of seniors, providing them with more than a singular option.

"We expect you to ensure that seniors understand both products (Traditional and Saver) and make a determination which product is best for their situation. I think it's important to understand that when a senior may need a small amount of equity, but it's very clear they may need additional equity in the future, that you don't see HECM Saver as just a temporary product and think 'because the costs are low, I'll go ahead and give the senior this product because you know what, I can refinance into the HECM Standard in the future.' If you're selling it as a short-term product, knowing that you'll refinance it later, we really can disrupt the secondary market around this product due to pre-pay speeds. Our expectation is that when the senior sits down, that you're really understanding what their needs are and place them in a product that makes sense for them for the long-term, not for just the next 12 months, because there's another product I can put them into. It may happen, but let's not sell it like that on a regular basis."

The State of the Economy

Tulane Professor and Economist Paul Spindt:

"Assuming home prices stabilize and the stock market doesn't do something too weird, we can imagine a full (economic) recovery within three to four years.

"A big problem with the U.S. economy is growth. Growth is very depressed. We need to stimulate the patient, we need CPR. Whether one does this through fiscal means or monetary means is another question. We need policies that don't stifle growth. Stay out of the economy's way. Now is not the time to tighten. Long-term we need to have some fiscal responsibility, but tightening at this time I think would be very damaging."

The Saver in the Secondary Market

Mike McCully, New View Advisors:

"No mortgage product can survive without an investor. We, as an industry, had Fannie Mae as our sole investor for the past 20 years, but that has now given way to a group of institutional investors that are much more akin to the way the forward mortgage market has worked for the last 30 years. Without this investor base, the number of new HECMs, no matter what the demand is for the product, is going to be limited. Paying attention to how these investors perceive the industry, and perceive the product, is critical. For investors to continue to want to invest, and gain confidence in our industry, they need transparency, which is reliable and consistent performance data. They (investors) need to understand the value of the security relative to other possible investments. To get that, they need to have an understanding of what changes are going to happen to the product, so they can anticipate how that affects their investment decisions. This is a new way of thinking for our industry, but it's very important that we pay close attention to that."

Joe Kelly, New View Advisors:

"The tremendous success of the HMBS program provides the industry with this growing base of investors, willing to pay a premium for compelling value, and that creates a virtuous circle because not only does that allow you to sell loans at a decent profit, but also all these trades that are getting done are bringing more investors into the marketplace."

Craig Corn, MetLife:

"It seems to me, it seems to us, that HECM Saver stacks up fairly well against a HELOC. That would lead me to believe, and should probably leave a lot of other people to believe, that maybe the market for HECM Saver is fairly substantial. We've never marketed to this type of person before, so that will be a challenge. But there's certainly a lot of people out there who have borrowed an amount of money using a product with fairly reduced costs, like we think the Saver is, and those people over 62 seem to have gravitated towards that product. So maybe there's an opportunity if we put on our marketing hats and figure out how to reach these folks."

David Fontanilla, Knight Capital:

"The 2011 product has been well-received…but a lot of the investors still have it in the back of their heads the question, will the program change again next year? We can all hope that we'll get to some point where we have equilibrium or stability where we try to produce the same product every year.

"Investors are very focused on refinancing. Letters being sent out to seniors who just got mortgages to try and refinance that is the exact story that investors do not want to hear about."

Story continued on following page

Very Special Events

First Class

NRMLA honors its first class of Certified Reverse Mortgage Professionals.

Distinguished Service Honorees

Rhiannon Behnke of Security One for Community Service

Colin Cushman of HUD for Creativity

Sue Hunt of CredAbility for Career Service

Lobbyist Larry Murray for State Service

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Tapping Into the Home Purchase Market

The Growing Trend of Seniors Using Reverse Mortgages to Purchase Homes Which Better Fit Their Needs

By Darryl Hicks

I never thought the day would come, but it has. Despite the fact that my grandparents still get around pretty well for a couple in their early-80s, they have decided to start looking for a retirement home in Pennsylvania, not far from where they raised their sons.

My grandfather told me this past summer that he and my grandmother want to be closer to family, even if it means selling their home of 25 years with the gorgeous view of the Charles River, which empties into the Chesapeake Bay just a few miles down the road.

As sad as I would be to see the place owned by someone else, I can't blame them. It takes just over an hour to drive from their home to my father's in southern Lancaster County, and his place is the closest. Some of my uncles are an additional 30 to 45 minutes away. It can't be fun driving any of those distances at night.

Another issue is the home itself, with its many stairs. When it was built in the mid-80s, my grandparents were recently retired and looking for a nice place to live out their remaining years. They had been pleasure boating on the Chesapeake Bay since the late 40s, so when they saw an opportunity to build a two-story home with a waterfront view, they jumped at the chance.

Fast forward 25 years and a lot has changed. My grandmother has arthritis and my grandfather — always fit and active — has back and hip issues that make walking difficult. The plan over Christmas is to look for a home in an assisted living facility where they don't have to worry about steps, or home maintenance.

Although they have always resisted the idea of getting a reverse mortgage, partly because they never needed the money, I'm going to carefully mention that reverse mortgages are a great way to purchase a new home, without having to worry about a new mortgage payment.

While the typical retiree uses a reverse mortgage to eliminate debts, pay for healthcare and cover daily living expenses, a growing segment of the senior population is using it to purchase a home that better suits their needs.

The advantage of using a reverse mortgage is that the new home is purchased outright, using funds from the sale of the old home, private savings, gift money and other sources of income, which are then combined with the reverse mortgage proceeds.

While study after study reveals that an overwhelming percentage of seniors want to continue living in their current home for as long as possible, my grandparents are a perfect example why for some people that isn't the best, or safest, option. A reverse mortgage offers a solution to downsize into a place that's more easily navigable, possibly more energy efficient, with lower maintenance costs, which is closer to friends and family.

If you look back over the history of reverse mortgages, this is a relatively new innovation. When Fannie Mae created the Home Keeper reverse mortgage in the mid-1990s to compete against the Federal Housing Administration's Home Equity Conversion Mortgage (HECM), the company introduced a Home Purchase variation. Much like the Home Keeper in general, though, the purchase program wasn't widely used.

It's chief competitor, the HECM, could only be used on properties that were already owned and lived in. Recognizing there was a need to help seniors downsize, the National Reverse Mortgage Lenders Association lobbied Congress for several years to create a HECM for Purchase.

In July 2008, then-President George W. Bush signed the Housing and Economic Recovery Act into law, which gave FHA the authority to create a purchase program. In October 2008, FHA published Mortgagee Letter 2008-33, officially implementing HECM for Purchase. The following March further refinements were made in Mortgagee Letter 2009-11.


Sarah Hulbert


Jerry Tomlin

In its first year, 560 purchase loans were made out of 114,691 HECMs insured by FHA. During the most recent federal fiscal year ending September 30, 2010, FHA insured 1,389 purchase loans out of 79,106 HECMs. Most of these loans were made in California (424), Florida (306) and Arizona (113), according to statistics compiled by San Diego-based Reverse Market Insight.

While these numbers may seem small, proponents of HECM for Purchase believe the business will grow once lenders fully understand how it works and how it needs to be marketed.

At the 2010 Annual Meeting & Expo this past November, NRMLA organized a panel to discuss these important issues. The panel was moderated by Sarah Hulbert, Senior Vice President at Seattle Mortgage Company, in Seattle, WA. Speakers included Bill Thomas, National HECM for Purchase Manager at MetLife Bank, located in Bridgewater, NJ, and Jerry Tomlin, a loan officer with Atlantic Bay Mortgage Group, located in Virginia Beach, VA.

Thomas points out that a traditional reverse mortgage is often described as a "need-based" product, because the typical borrower is a female widow in her seventies, who often times needs the extra funds to remain financially secure. Purchase, on the other hand, is a "want-based" program because the consumer has a specific motivation for using it, which is to purchase a new home.

Demographically, Thomas sees more middle and upper-class couples in their early to mid-60s, who are still active, gravitating toward the new program. While they can still move about the house, the kids are gone and there's no need for all the

Continued on Page 18

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Continued from Page 15


Bill Thomas

extra space. They want to live in something smaller, that's easier to maintain.

Last year, Hulbert was approached by a couple in their seventies, who had rented their entire lives. They had accumulated $60,000 in savings, which, when coupled with funds from the reverse mortgage, enabled them to purchase a $180,000 home.

The transaction went smoothly and the couple were thrilled to be homeowners at last. "They were so happy. I've gotten cards from them the past two Christmases," says Hulbert. Just a few months ago, she assisted her father-in-law. He sold his home at the top of the housing market and rented the past two years, before making a decision earlier this year that he wanted to own again.

"His kids, and myself included, are thrilled, because we don't have to worry about Dad having to make a mortgage payment," she adds.

Quoting other data provided by RMI, Hulbert says there are 23 million senior households in the U.S. who relocate at an annual rate of six percent. If you do the math, that equates to 1.4 million senior households who move each year. Twenty percent, or 280,000 households, are using a mortgage to purchase new homes.

"If you estimate just five percent of the 280,000 households who might use the HECM for Purchase that's 14,000 households," notes Hulbert. RMI suggests the relocation rate may be even higher, which would make the market potential even greater.

To be successful, loan originators must recognize that HECM for Purchase utilizes a different vocabulary, different rules and regulations and different marketing tactics, compared to a traditional HECM.

Anyone interested in the market should first read *Housing for the 55+ Market* (April 2009), which was jointly published by MetLife's Mature Market Institute (MMI) and National Association of Home Builders, in addition to *Builders, Buyers and Beyond*, published in September 2009 by MMI.

Based on experience, Thomas and Tomlin agree the most effective way to generate business is by educating Realtors and Builders.

HECM for Purchase vs. Traditional

Some of the same disclosures that are used in FHA "forward" mortgage transactions are also used in HECM for Purchase.

There is an Amendatory Clause, which says that the buyer (HECM borrower) can renegotiate the contract or get out of the contract altogether if the appraised value comes in less than the contracted price. There's an occupancy disclosure stating that the sellers may allow the buyers to occupy their new home within 60 days.

However, once a home is acquired, HECM for Purchase guidelines do not allow the sellers to request a temporary rent back, says Tomlin. The reasons why a seller might need to rent back after closing vary. The home the seller is buying might not be available at the time the HECM for Purchase transaction closes or the seller might not be able to find a moving van on the last day of the month, when demand for moving vans is high.

Verification of personal funds and income is not required on a traditional HECM, but is with a HECM for Purchase, especially if the senior homeowner keeps the old residence as a second home or a rental property.

If there's still a mortgage on the old property, FHA wants to verify the HECM borrower has the resources to continue making monthly payments, as well as for taxes and insurance and condo fees, if applicable.

"Verification of funds has been an issue on just about every HECM for Purchase that I've done," says Hulbert. "Recently, one of my clients stashed their savings in the mattress. We had to verify those funds and it was tricky. The client was able to provide a paper trail for that money, luckily."

Verification of mattress funds can be at the underwriter's discretion. FHA typically allows up to $10,000 in mattress money. "They look at your income and your taxes over the prior three years and try to calculate whether you could have saved that amount of money," notes Tomlin.

Gift money is allowed, but must be properly documented. Seller concessions are not allowed at all, which must be explained to any Realtors you may be working with, notes Tomlin, because they are used to concessions in tough housing markets.

One key difference between a traditional HECM is that there is no rescission period in a HECM for Purchase deal.

Educating Realtors

MetLife Bank's Thomas is formerly a Realtor, but he acknowledges the real estate business has changed dramatically.

"The advent of the Internet has changed the way Realtors do business. There are even different flavors of real estate agents. There are sellers agents, buyers agents, listing agents, and they all have different roles and responsibilities," says Thomas.

Generally speaking, Realtors are receptive to any new ways that will help then generate business. It's all about the value proposition. They have the time, because business is down. They have the time if you have the right message. But HECM originators must avoid all industry jargon, otherwise Realtors won't know what you're talking about.

When making initial contact, a Realtor may direct you to his or her closing agent, who has never closed a traditional HECM, much less a HECM for Purchase, so there's a huge learning curve for them.

Instead of working with an elderly couple, and possibly their kids, in a Purchase deal there are numerous people involved in dispersing money. There is a buyer and a seller and sometimes

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the sellers are divorced, so you're dealing with two people separately. You may even have multiple Realtors.

Hulbert advises loan originators to "find Realtors who aren't just interested in the concept, but are willing to put in the time and investment to make this work."

Look for a Realtor who has the Senior Real Estate Specialist designation. This a person who has invested time and personal funds to go through training and continuing education to get certified in dealing with seniors.

"I tell them that I'm there to help them build their business," says Tomlin. "I don't go in like another loan officer saying 'hey, please give me a referral, so I can do another loan.' I ask them what issues they normally run into when dealing with a senior who wants to get a home. Normally, the response is the individual doesn't qualify. They've been working off a pension, or they have a widow and the husband was the breadwinner and now she doesn't have the income, but she needs to get out of the big house. Well, how can we get her to buy into this retirement community that you're selling properties for? We can use a Reverse Mortgage for Purchase and that way she can afford the home. If you tell them that you have a way to get seniors into homes, they will listen."

Marketing Strategies

Tomlin's company originates both forward mortgages and reverse mortgages and employs a marketing staff that develops flyers to co-brand both products.

Consider a flyer to hand out to Realtors that says something like, "Own this home for X amount down, and no monthly payments as long as you live here." Take the purchase price and calculate the reverse mortgage for a 68- to 72-year old. Chances are if you approach a Realtor and ask them whether this might help generate interest in a home, they will say yes.

Thomas boils down the vernacular a little bit more by suggesting a few key points to ask Realtors and Builders:

- What if you had access to an FHA-approved lending program?
- The program has no FICO score considerations
- In most cases, there are no income requirements, except in a few situations
- The borrower doesn't need a job
- LTVs up to 70 percent
- Loan amounts up to $450,000
- You make no mortgage payments as long as you live in the property

Based on experience, Thomas and Tomlin agree the most effective way to generate business is by educating Realtors and Builders.

"Ask them whether they might sell more homes if they had access to a program like that?" adds Thomas. "If they say yes, but what's the catch, it's important to tell them the minimum age is 62."

Thomas said the 70 percent LTV is based on an 80-year-old borrower, while the $450,000 loan amount is calculated off the same age using the current $625,500 loan limit.

Normally, Realtors and builders are looking for a higher-end client when marketing a new $300,000 home in an assisted living community. What they don't realize, says Thomas, is that someone living in a $200,000 home, who has paid off his or her mortgage, but still living on a fixed income, is just as viable a contact.

In-House Training

There is a learning curve that comes with offering HECM for Purchase. The panelists offered guidance on some of the more important details to watch out for.

For instance, if the home being acquired is newly constructed, a sales person cannot take a loan application until a certificate of occupancy has been issued.

In addition to the disclosures mentioned earlier, any Addendums commonly used in a traditional home purchase contract must also be used in a HECM for Purchase. A home inspection, pest and moisture inspection, any repairs that are pointed out during the home inspection, all need to be signed off on and submitted to the loan underwriter. If there are any repairs, they must be completed prior to closing. There are no repair set asides for a purchase.

Make sure the Realtor's closing agent understands the closing process for reverse mortgages. Try to get them to select an attorney or closing agent who understands reverse mortgages.

While a small delay may not be as crucial in a traditional HECM transaction, timelines are more crucial in a purchase deal. "Closing timelines are tight. You have somebody selling the property who might be buying somewhere else, you can start a domino effect of bad feelings, from the Realtor to the buyers and the sellers. You have to be able to hit target dates," says Tomlin.

Certain reverse mortgage wholesale lenders require a 48-hour "clear to close" notice, before they'll schedule a purchase closing. If you happen to close a loan on a day when the borrower's old home sells and the borrower is buying a new one, you will need to provide a HUD Settlement Statement to your underwriter that day. You will also need to get your settlement company to ensure them either by certified check or wired funds that the money will be there at the closing. Simultaneous closings are something that Realtors always look for.

Thomas says there are four key questions he likes to ask every Realtor and builder:

- What is your best selling home? If they have a model home that is three months ahead of production and sales, something they can't build quick enough, it's important to realize that HECM for Purchase is not a construction loan. We need a Certificate of Occupancy, which comes with inventory. So the best selling home is probably not a great fit for our program.

- What is not selling as well? Based upon the model and the reasons why it's not selling as well, this very well might be the type of property that HECM for Purchase financing fits best. In other words, it's the type of program where you have forward inventory.
- To a builder, why do people buy your homes? They'll respond by touting superior construction. Then Thomas asks:
- Why don't people buy your homes? The answer almost always is the person can't sell their existing home. The reality, says Thomas, is that yes, they can sell their existing home, just not for what they think it's really worth. It's important to position the program with the builder, the Realtor and the borrower to let them understand that they might be selling for a little bit less, but chances are they're buying for a little bit less because the market is suppressed. "Just as importantly, you're taking the financial leverage of the HECM for Purchase program and you're not tying up all your money into the purchase transaction. You'll be able to leverage this purchase with less money than you thought you would need and be able to put what money is left over in a nest egg account that can enhance your cash flow through retirement," adds Thomas.

Hulbert recommends creating a web-based training program, using PowerPoint, ahead of time, so that when you get a purchase application, your processor can set up a quick training program with the settlement agent to discuss how the process works.

"The more they understand sooner, earlier in the process, the better," she says. "Since the seller chooses the settlement agent and escrow company, we can't guaranty that we'll be working with somebody who has prior experience dealing with HECM for Purchase."

As you can see from the panel's comments, business opportunities do exist for anyone interested in expanding into the purchase arena. It's also pretty evident that loan originators need to do their homework, especially if they have no prior experience originating forward mortgages.

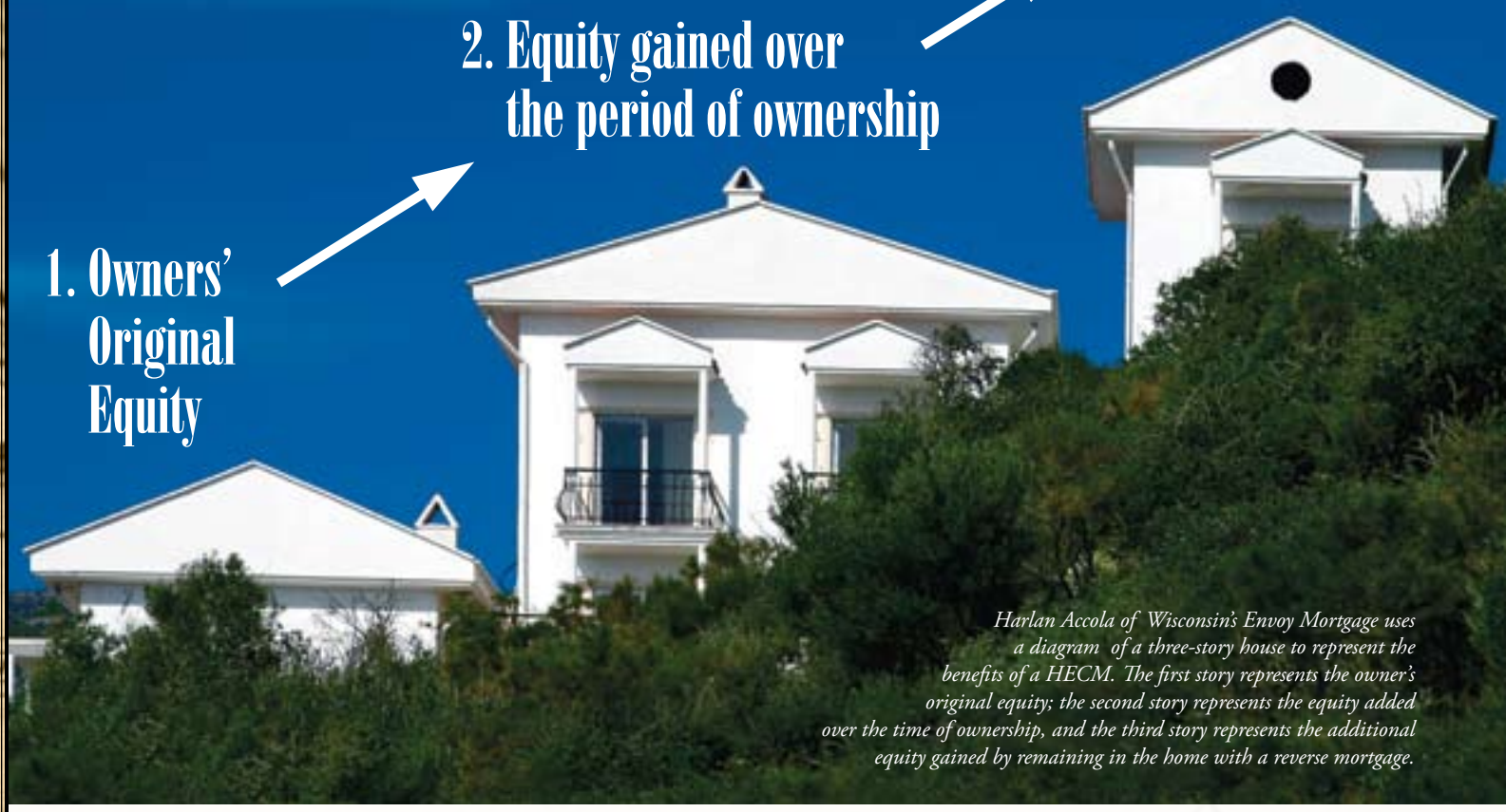
Interestingly, the vast majority of HECM for Purchase loans have been originated by only 24 lenders, according to RMI, the vast majority (718) by Wells Fargo Home Mortgage.

Whether some lenders find HECM for Purchase too complicated, or because the housing market in their area is still sluggish, we don't know. But as Americans continue to live longer, you can bet there will be more elderly couples, like my grandparents, interested in new housing and looking for ways to pay for it.

Keeping It Simple

Increasing Sales By Simplifying The Process and Better Communicating the Benefits of Reverse Mortgages

By Kay Kinney



Harlan Accola of Wisconsin's Envoy Mortgage uses a diagram of a three-story house to represent the benefits of a HECM. The first story represents the owner's original equity; the second story represents the equity added over the time of ownership, and the third story represents the additional equity gained by remaining in the home with a reverse mortgage.

The complexities of a reverse mortgage can intimidate and frustrate clients and real estate agents, sometimes causing originators to lose sales. However, top reverse mortgage originators know there are ways to make even the most complex parts of the process seem simple, for their clients and for Realtors. At NRMLA's Annual Meeting, three leading reverse mortgage originators shared how they have increased their sales and won loyal customers by using graphics, metaphors, analogies, written materials, and other techniques to simplify some of the complex ideas involved in a reverse mortgage.

Every reverse mortgage involves an appraisal. Harlan Accola of Envoy Mortgage of Wisconsin shared how he approaches the appraisal process with clients, especially when the appraised value of the home is lower than the homeowner expected. Accola said, "Seniors can feel insulted when the appraisal comes in

below what they thought their house was worth. We have had clients cancel the transaction, thinking that they could just wait until their property value increases or that they might as well sell the house because they won't get enough cash from the reverse mortgage." To counteract this concern, Accola uses an inventive graphic presentation to demonstrate to the homeowner that getting a reverse mortgage now rather than selling the house is the best strategy, even if the house is not worth quite as much as the homeowner expected.

Accola uses a graphic of a three-story house. The first story represents the owner's original equity; the second story represents the difference between the original equity and the current appraised value of the house, and the third story represents the additional equity that the homeowner will gain if they remain in the home with a reverse mortgage. If the homeowner sells the house now, they are losing that third story and will never get it. With a reverse mortgage, they will eventually get that third story, gaining equity that can enable them to refinance their reverse mortgage later and take out more cash, or leaving equity to their heirs after the reverse mortgage is paid. This presentation has been very effective for Envoy Mortgage originators in reassuring clients and increasing sales in a down market.

Another part of the reverse mortgage process that is new and often intimidating to reverse mortgage borrowers is counseling. As Leah Auricchio of All Reverse Mortgage of Texas in Houston, Texas explained, many seniors are apprehensive about counseling. Auricchio uses several techniques to reassure borrowers and prepare them for counseling so that they are not surprised by the experience. First, she mentions counseling in her initial conversation with the client. She follows up by e-mail or regular mail with a short document that describes the reverse mortgage process in simple terms, including counseling, and she includes any other information that the client mentioned in the conversation.

Auricchio then has a face-to-face meeting with every client. She gives the client a guide to reverse mortgage counseling and talks the client through the process. She goes through all the forms that the client will need to bring to the counselor. She also delivers two complete amortization schedules, representing different types of reverse mortgages, because these are presented by counselors and many seniors are unfamiliar with these charts and can be intimidated by them. She explains the line of credit as akin to a savings account that grows, tax free. These steps ensure that the client is not surprised or upset by anything that is presented by the counselor, and that counseling is a positive experience that increases the client's confidence in the transaction. Auricchio said she believes that by taking these steps she has increased her sales and won loyal clients who refer other seniors to her.

In explaining the reverse mortgage, the concept of a nonrecourse loan is sometimes difficult for the client to grasp. Harlan Accola offered some tips for addressing this. First of all, he said, it is important to make sure the client understands the nonrecourse concept before the Truth In Lending disclosure is delivered. "People can 'freak out' when they see the TIL," he explained. "The schedule seems to show that the client will 'owe' thousands of dollars more at the end of the loan than they thought." He tells clients that HECM means "Home Equity Conversion Mortgage" and that means the client is simply "converting" their home equity into cash or a line of credit. He shows them that even if their equity does not increase over the time they remain in the home, they will only owe the lender the original loan amount, plus interest & other fees.

Accola also said he gives clients a chart showing how home prices in their area have increased since they bought their home, so they can see that on average home values do increase over time, even if they have not increased in the last few years. This helps reassure the client that they will not "owe" more than their home is worth at the end of the loan.

Craig Minton of Wells Fargo Home Mortgage in Williamsburg, Virginia has increased sales by promoting the HECM for Home Purchase for seniors who are downsizing their home or retiring to his community. He explained that real estate agents need education about the program, and that once they understand it they are usually enthusiastic about it.

Craig Minton of Wells Fargo Home Mortgage in Williamsburg, Virginia has increased sales by promoting the HECM for Home Purchase for seniors who are downsizing their home or retiring to his community. He explained that real estate agents need education about the HECM for Home Purchase program, and that once they understand it they are usually enthusiastic about it. He offers frequent presentations to local Realtor groups and uses graphics to show how a senior buyer can often save money with a HECM rather than a conventional loan. He emphasizes that there are no "ratios" for HECM borrowers so that seniors on fixed incomes who might not qualify for a conventional loan can often qualify for a HECM.

Minton said he has been so successful with his promotion of HECM for Home Purchase that many Realtors who are over age 62 have come to him for their own reverse mortgages. He said "this is really an untapped market, but once you educate your Realtors you can do a lot of these loans and increase your business."

RM

Innovation

HECM Saver: A whole New World

By Shannon Hicks

"Necessity is the mother of invention" and often times market forces serve as a tailwind pushing us toward it. In the future, reverse mortgage professionals may look back and say 2010 was the year the HECM came of age.

Since its inception in 1989, the HECM (Home Equity Conversion Mortgage) has been primarily marketed as a loan to help those who are "house rich & cash poor," while consumer advocacy groups often have and still characterize it as "a loan of last resort." This market approach was adequate as our niche industry grew exponentially over the last 10 years. However, continuing to over-focus on this segment will not serve our industry well in the years to come. The supply of needs-driven seniors with mounting bills, lower mortgage balances and stable home values has been decimated. Don't misunderstand. We still have plenty of seniors who need a reverse mortgage — but fewer qualify with falling home values and existing mortgage balances that often cannot be covered by reverse mortgage proceeds. The time was ripe for change.

Enter the HECM Saver. This newly developed third variant of reverse mortgages offers reduced principal limit factors (11-23% less) in exchange for substantially reduced upfront FHA insurance premiums of only .01% of the Maximum Claim Amount versus the traditional full 2% upfront charge. The ongoing MIP insurance mirrors the Traditional HECM rate of 1.25% which began October 4th.

You may be asking, "So how will this new loan help my business and our industry as a whole?" To help better understand the origins and future potential of the HECM Save, I interviewed four industry leaders who were key (to only mention a few) in the development of the program: Jeff Lewis (Chairman of Generation Mortgage), Craig Corn (VP of MetLife's Reverse Mortgage Division), Vicki Bott (Deputy Assistant Secretary of Single Family Housing, HUD), and John Nixon (Industry Relations, Sales Support and Channel Integration Executive at Bank of America).

> This newly developed third variant of reverse mortgages offers reduced principal limit factors (11-23% less) in exchange for substantially reduced upfront FHA insurance premiums of only .01% of the Maximum Claim Amount versus the traditional full 2% upfront charge.

What were the motivations behind the creation of the HECM Saver?

"The HECM Saver is a way for the industry to reach out to a larger portion of seniors, not just the ones who are in dire circumstances," said Jeff Lewis. Early in the process and integral to the development of HECM Saver was Meg Burns, former Director of Single Family Program Development at HUD. "Meg was very helpful as she brought in the key individuals to help develop the product and give context of the budget process in Washington, DC. for which we are deeply indebted," Mr Lewis added.

Beyond reaching a wider group of retirees, reducing the need for subsidy requests also came into play when creating the program. "We had the opportunity to meet something the market had wanted and that created what we call a negative subsidy," Vicki Bott explained. A positive subsidy simply means the program must request funds to remain viable, so a 'negative' subsidy is a good thing and means the program is self-sustaining.

Both industry professionals and borrowers have often complained of the high upfront FHA insurance premium charged for all borrowers regardless of their loan structure. Craig Corn attributed this to "pooled insurance risks." He explained that the risk is being pooled because "the borrower can always access the full amount, which poses an increased risk. The HECM Saver would help provide a more balanced approach by allowing borrowers not needing the maximum proceeds to enjoy a substantial savings in upfront costs."

John Nixon points out that the product was developed "to address the concerns that came out of AARP's study showing that the number one reason many avoided a reverse mortgage were the upfront fees." He also added that the HECM Saver would be "more attractive to the sophisticated consumer" due to it's attractive economic cost and flexibility.

There is somewhat of a halo effect with the HECM Saver. It's lower proceeds and reduced risks will actually contribute to

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Innovation • *Continued on Page 27*

subsidizing the standard HECM thus strengthening the program overall. Vicki Bott explains, "When you can kill two birds with one stone it helps from a financial standpoint. It also delivered a product the market was looking for anyway."

Does the industry have a plan to educate the public and to present this as a creative loan alternative rather than a needs-based sale?

Reaching the public with a clear message about the HECM Saver is a must as October brought increased ongoing insurance costs for the traditional HECM. John Nixon points out that with the scarcity of traditional lines of credit or HELOCs, "the HECM Saver will be a very attractive alternative for equity extraction at comparative or lower costs in many cases." When it comes to public "branding" Craig Corn points out "for many the traditional reverse mortgage product has been perceived as a 'loan of last resort.' Counselors, AARP and regulators will need to educate the public about this new product. We must completely recondition ourselves when speaking to someone with a shorter time horizon and/or who may not need as much money as a standard HECM would provide."

With the HECM Saver having arrived at the beginning of this fiscal year, education and marketing will most likely not show any marked results until early 2011. Jeff Lewis predicted, "This should provide some positive press, and show the benefit of the industry working in concert with the government to improve the program. It could be a real catalyst for the future growth of the HECM."

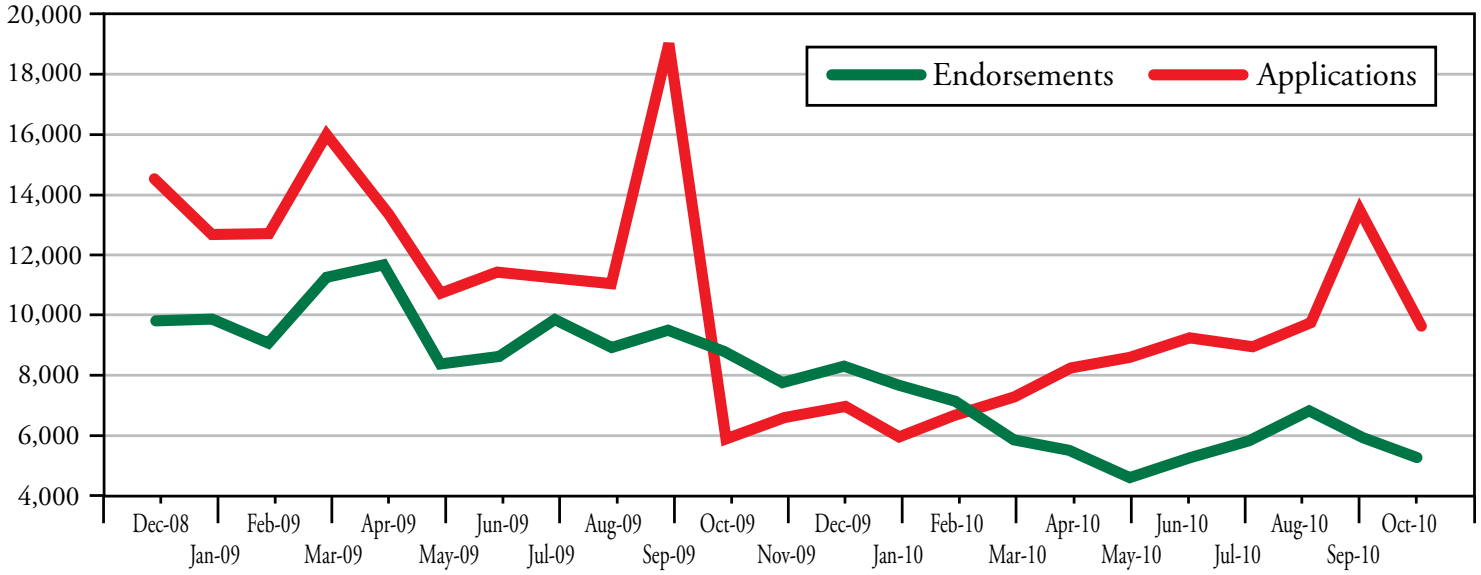
Many industry analysts and officials expect to see roughly 20% of HECM transactions represented by the Saver. Vicki Bott wondered, "How much of the current populations of the Traditional HECM would have chosen the Saver had it been available?" Projecting future demand for a new product is challenging, but consider the massive demographic swing to younger borrowers in recent years and the increased attractiveness to borrowers who want flexibility and low costs rather than proceeds.

Increased Sophistication of our Sales Force

In an effort to reach the financial community, many originators have promoted the reverse mortgage as a "financial tool." In reality, it is only a loan — until given a specific application to address a client's unique situation. Perhaps the HECM Saver will not only reach a wider demographic of cost-conscious and financially savvy retirees, but may be an attractive means of utilizing a home's equity as part of an overall financial plan. As John Nixon said, "This will require an increased sophistication of our sales force." As the HECM comes of age, so must the professionals who have helped grow it since its inception.

HECM Volume Trends

Below is a graph of HECM activity by volume from December, 2008, through November 30, 2010.



Source: Reverse Mortgage Insight (www.rminsight.net)

The Nation's 20 Largest HECM States

Below is a ranking of HECM activity by state from January through November 30, 2010.

RANK	RANK CHANGE	STATE	LOANS ISSUED	Y-o-Y % CHANGE	MAX. CLAIM AMOUNTS	MARKET-SHARE
1	0	California	8,999	-40.0%	$3,900,609,822	13.6%
2	1	Texas	5,738	-16.6%	$951,600,710	8.7%
3	-1	Florida	5,602	-54.4%	$1,177,741,898	8.5%
4	0	New york	3,714	-37.7%	$1,417,882,380	5.6%
5	0	Maryland	2,731	-30.7%	$698,290,936	4.1%
6	2	New Jersey	2,584	-30.9%	$789,515,804	3.9%
7	-1	Virginia	2,557	-33.1%	$604,649,885	3.9%
8	1	Pennsylvania	2,505	-24.2%	$469,137,071	3.8%
9	-2	Illinois	2,129	-43.1%	$445,746,092	3.2%
10	1	Washington	1,775	-42.6%	$539,527,195	2.7%
11	3	Georgia	1,710	-21.4%	$323,449,321	2.6%
12	5	Puerto Rico	1,614	-10.1%	$297,070,165	2.4%
13	0	Massachusetts	1,443	-37.8%	$489,737,671	2.2%
14	1	North Carolina	1,382	-26.3%	$278,291,870	2.1%
14	-2	Oregon	1,382	-52.0%	$371,521,327	2.1%
16	-6	Arizona	1,366	-56.0%	$322,168,634	2.1%
17	-1	Colorado	1,192	-36.0%	$344,800,703	1.8%
18	5	South Carolina	1,068	-19.0%	$221,279,685	1.6%
19	2	Tennessee	1,057	-28.2%	$172,074,345	1.6%
20	6	Louisiana	1,019	-7.4%	$169,415,730	1.5%

Source: Reverse Mortgage Insight (www.rminsight.net)

The Nation's top 100 HECM Lenders

Rank	Lender	Loans Issued	Y-o-Y % change	Max. Claim Amounts*	Market-share
11	Wells Fargo	14,393	-20.1%	3,975.4	21.8%
2	Bank of America	6,170	-32.8%	1,690.8	9.3%
3	MetLife Bank	3,194	11.3%	763.3	4.8%
4	One Reverse Mortgage LLC	2,874	-1.3%	512.7	4.3%
5	Generation Mortgage Co.	1,197	-22.0%	271.2	1.8%
6	Urban Financial Group	1,158	3.7%	196.7	1.8%
7	1st AAA Reverse Mortgage	1,043	-7.2%	166.2	1.6%
8	Financial Freedom Acquisition	942	-72.3%	329.6	1.4%
9	Guardian First Funding Group	939	17.7%	219.0	1.4%
10	Net Equity Financial Inc.	685	26.2%	158.1	1.0%
11	American Advisors Group	653	33.8%	150.8	1.0%
12	Money House Inc.	560	-41.1%	104.3	0.8%
13	Security One Lending	535	-49.7%	157.9	0.8%
14	Senior Mortgage Bankers Inc.	529	3011.8%	98.6	0.8%
15	New Day Financial LLC	528	96.3%	96.4	0.8%
16	Great Oak Lending	521	177.1%	120.0	0.8%
17	Genworth Financial	513	-8.6%	119.1	0.8%
18	M&T Bank	503	-26.7%	99.2	0.8%
19	Equipoint Fin'l Network Inc.	409	-16.5%	100.2	0.6%
20	PNC Reverse Mortgage LLC	403	-28.9%	104.1	0.6%
21	First Mariner Bank	354	-53.8%	87.5	0.5%
22	Suntrust Mortgage Inc.	318	25.2%	66.3	0.5%
23	iReverse Home Loans LLC	294	9700.0%	76.8	0.4%
24	Seniors Reverse Mortgage	293	-53.9%	98.7	0.4%
25	Aspire Financial Inc.	281	569.0%	40.6	0.4%
26	Senior American Funding Inc.	279	-22.9%	97.8	0.4%
27	Integrity 1st Mortage Inc.	257	6.6%	63.7	0.4%
28	Stay In Home Mortgage Inc.	252	-61.6%	62.2	0.4%
29	MAS Associates	251	1573.3%	62.2	0.4%
30	Brian A. Cole & Associates Ltd.	236	96.7%	31.3	0.4%
31	MortgageShop LLC	228	-40.3%	44.7	0.3%
32	Priority Mortage Corp.	222	-35.3%	35.9	0.3%
33	United Southwest Mort. Corp.	216	36.7%	88.4	0.3%
33	Midcontinent Fin'l Center	216	122.7%	49.7	0.3%
35	Royal United Mortgage LLC	192	9500.0%	41.9	0.3%
36	Harvard Home Mortgage Inc.	187	-50.5%	28.7	0.3%
37	Upstate Capital Inc.	186	-55.2%	41.2	0.3%
38	Traditional Home Mort. Inc.	178	29.9%	56.6	0.3%
39	First National Bank	177	284.8%	55.5	0.3%
40	M&I Marshall and Isley Bank	174	-56.5%	34.8	0.3%
40	Academy Mortgage Inc.	174	-55.6%	45.6	0.3%
40	Montgomery Mortgage Inc.	174	4.2%	28.7	0.3%
43	Webster Bank	162	-17.8%	40.8	0.2%
44	Gateway Reverse Mort. Group	159	-14.1%	18.4	0.2%
45	Equitable Reverse Mort. Co.	149	-61.3%	49.5	0.2%
46	Amtec Funding Group LLC	148	-35.7%	42.8	0.2%
47	Open Mortgage LLC	147	-0.7%	55.6	0.2%
48	Envoy Mortgage Ltd.	145	222.2%	31.8	0.2%
48	MCM Holdings Inc.	145	15.1%	35.8	0.2%
50	Golden Gateway Financial Inc.	143	-21.9%	43.8	0.2%
51	Urban Housing Mort. & Realty	142	51.1%	19.5	0.2%
52	GMFS LLC	141	-11.9%	24.4	0.2%
52	MetAmerica Mort. Bankers Inc.	141	-40.8%	23.9	0.2%
54	American Pacific Mortgage	135	-40.8%	48.2	0.2%
55	Primlending - a Plainscapital Co.	128	611.1%	30.7	0.2%
56	Cherry Creek Mortgage Co.	124	-46.6%	34.1	0.2%
56	Allied Home Mort. Capital Co.	124	-64.5%	29.1	0.2%
58	Wilmington Savings FD Society	123	-30.1%	28.2	0.2%
59	Seniors First Mortgage Co.	120	-22.6%	23.6	0.2%
60	Sidus Financial LLC	117	-36.1%	25.1	0.2%
61	Popular Mortgage Inc.	115	11.7%	20.1	0.2%
62	Value Financial Mortgage Svc.	113	-58.9%	23.7	0.2%
62	Universal Lending Corp.	113	-40.8%	29.9	0.2%
64	EVOFI One	112	-82.8%	46.0	0.2%
64	Eagle Nationwide Mortgage Co.	112	-42.6%	27.2	0.2%
66	Remington Mortgage Inc.	111	-39.3%	14.7	0.2%
67	Primary Residential Mort. Inc.	110	-16.0%	32.1	0.2%
68	AA Mortgage Group LLC	109	16.0%	21.7	0.2%
69	Nationwide Equities Corp.	106	-20.3%	44.5	0.2%
70	Sun American Mortgage Co.	105	-59.0%	25.9	0.2%
71	1st Source Funding Inc.	104	-45.0%	50.1	0.2%
72	Network Funding LP	103	-37.6%	19.1	0.2%
72	Hartland Mortgage Centers	103	-38.0%	18.3	0.2%
74	East Coast Capital Corp.	102	410.0%	36.2	0.2%
75	Franklin First Financial Ltd.	100	-30.6%	35.2	0.2%
76	Senior Reverse Mort. Service	99	33.8%	16.1	0.1%
77	Gateway Funding Diversified	97	-56.9%	26.3	0.1%
78	Southwest Funding LP	95	66.7%	20.0	0.1%
79	Tripoint Mortgage Group Inc.	94	77.4%	50.3	0.1%
79	Futuresafe Financial Corp.	94	-63.3%	31.3	0.1%
81	Master Mortgage Corp.	93	-54.6%	14.2	0.1%
81	Aegean Financial Inc.	93	-34.0%	40.8	0.1%
83	All Financial Services Inc.	92	-20.0%	11.7	0.1%
83	New Castle Mortgage LLC	92	84.0%	15.3	0.1%
85	Senior Funding Associates	90	-53.6%	44.5	0.1%
85	Trinity Reverse Mortgage Inc.	90	-16.7%	46.1	0.1%
85	Van Dyk Mortgage Corp.	90	-73.8%	17.0	0.1%
88	LibertyStreet Financial Group	88	-70.2%	43.2	0.1%
88	Watermark Capital Inc.	88	-49.1%	27.9	0.1%
90	Rockland Trust Co.	87	-15.5%	28.2	0.1%
91	American Nationwide Mort. Co.	86	145.7%	19.0	0.1%
92	Approval First Home Loans Inc.	85	-13.3%	24.7	0.1%
92	Direct Finance Corp.	85	-66.9%	27.0	0.1%
92	Christensen Financial LLC	85	-31.5%	17.6	0.1%
95	McGowin King Mortgage LLC	84	-2.3%	14.0	0.1%
95	Golf Savings Bank	84	-42.5%	24.4	0.1%
97	Loan Network LLC	83	-21.0%	22.8	0.1%
97	Residential Equity Funding Corp.	83	-54.9%	32.7	0.1%
99	CityOne Mortgage Bankers Inc.	81	-79.4%	15.6	0.1%
99	Home Savings of America	81	39.7%	22.6	0.1%

**In Millions*
From January through November 30, 2010
Source: Reverse Market Insight (www.rminsight.net)

Nest Egg

How Changes in Tax Law Might Effect Reverse Mortgages

By Jonathan Neal

When it comes to financial planning, particularly for older clients, the uncertainty of future dictates from Washington have always been a haunting variable. Imagine achieving all of your investment goals only to fall short of your income goals because of a sudden, unforeseen change in tax rates. This is a recurring nightmare that has routinely kept many financial, insurance, and estate planners awake at ungodly hours.

Then reverse mortgages entered the picture. And, once financial, insurance, and estate planners realized the power of this product as a planning tool, they started seeing more and more positive reasons to include RM's in their plans. What I don't understand is why it took so long for this to catch on widely. It has long been accepted that the concept of tapping into the dead equity of a seniors home – in order to replace or supplement taxable income being generated from other investments — has always been a good and sound approach.

Now that we are engaged in the latest and greatest national tax debate, some of the ideas being bandied about make the inclusion of a reverse mortgage in a retirement plan an even more powerful tool. In fact, the more ideas we hear from both the right and left about what should and shouldn't be changed in the different aspects of our present federal tax code, the better reverse mortgages look.

At this time there are more changes being proposed than any of us can keep up with; however, there are three that we hear a lot about — maintaining the Bush tax cuts, eliminating the interest write-off, and eliminating the one-time capital gains. Though at this time there is no way of telling whether or not any of them will ever come to pass, even if they end up not being part of changes made at this time around, they will assuredly keep their place at the table in the foreseeable future.

> **The more ideas we hear from both the right and left about what should and shouldn't be changed in the different aspects of our present federal tax code, the better reverse mortgages look.**

The first is the possibility that we revert to the pre-Economic Growth and Tax Relief Reconciliation Act of 2001 tax rates when the initial federal income tax rate of 10% was introduced. Over time the 28% bracket was reduced to 25%, the 31% rate lowered to 28%, the 36% bracket dropped to 33%, and the highest bracket 38.6% was trimmed down to 35%.

Should we revert to the pre-2001 tax rates, a senior couple with an adjusted gross income of $4,000 per month would see their after tax income decrease by $1,187 annually, which might not seem like a lot of money to some people but could be a hard pill for many seniors to swallow. Fortunately for those seniors with equity in their home, one good answer to this problem is to take money from a reverse mortgage in order to increase spendable income and quite possibly at the same time reduce their taxes.

The second is the elimination of the beloved mortgage interest write-off. Although a rather hot potato this could end up being a boom for the RM industry. In many cases seniors choose to refinance their existing mortgages or take an equity loan based, at least partially, on this write off. Many times they choose one of the previously mentioned options over a reverse mortgage even when the RM makes more sense financially. Take away the tax break and the reverse mortgage ends up being the only reasonable option.

The third we hear less about than the first two but nonetheless it is being battered around. This is the elimination of one-time exclusion of gains from the sale of a home. Even though changes here would have a limited effect on the overall population it would change the way a lot of us that are over 62 years old address the issues of relocating and downsizing. In many cases the use of a reverse mortgage to pay for a new residence prior to selling the old one makes sense now. If, however, this tax break is eliminated there will be numerous different and complex issues that will have to be taken into consideration and in many cases a reverse mortgage may provide an attractive alternative.

Regardless of their intent, changes in our federal tax code always result in upheavals in personal financial plans. But the silver lining here – at least from where I sit – is that it doesn't appear that any of the changes being discussed at this time will have a negative effect on the reverse mortgage business

Jonathan Neal, currently with Capital Consulting Group LLC in Atlanta, has 30 years Experience in financial planning and in the author of Reverse Mortgages: What Every Financial Advisor should Know.

-RM

Understanding your borrowers' needs

Comparing the HECM Standard with the new HECM Saver

By Doug Lambert
National Sales Executive, Bank of America Reverse Mortgage Wholesale & Correspondent Lending

As reverse mortgage professionals, we have a daily to-do list that includes a wide variety of tasks: calling, faxing, reporting, forecasting, networking and much more. However, I think the most important part of our job is listening — simply sitting down with our clients and their families and listening to them talk about what is important to them. Our clients rely on us to guide them through the process to find the financial solution that's best for them, and the only way we can do that is to listen and fully understand what they need to make retirement more comfortable and enjoyable.

The introduction of the new **Home Equity Conversion Mortgage (HECM)** option — the **HECM Saver** — makes listening and understanding even more essential. Because the HECM Saver can offer lower up-front costs than the **HECM Standard,** this option opens the reverse mortgage market to a segment of seniors with different sets of goals and needs. A solid understanding of these goals and needs is our best tool for providing customers with the information necessary to help them determine whether the HECM Saver — or another option — is right for them.

As you gather information to assess your senior clients' needs, make sure you understand their answers to these questions:

Do the costs of a reverse mortgage keep you from considering one?
If yes, the **HECM Saver** may be an option to consider. For the HECM Saver, the initial mortgage insurance premium (MIP) required will be **0.01%** of the maximum claim amount, compared to **2%** for the **HECM Standard.** Depending on the value of the home, this could save thousands of dollars.

Do you need to maximize the amount of proceeds you can access with a reverse mortgage?
If your clients are concerned that they may need to borrow the maximum proceeds allowed, the **HECM Standard** may be a better fit, as it can offer more proceeds than the **HECM Saver.** The HECM Saver offers less proceeds in exchange for lower up-front costs. By reducing available proceeds, and thereby reducing its exposure to risk, the U.S. Department of Housing and Urban Development (HUD) is able to pass along savings in the form of lower up-front costs.

Would you prefer a fixed interest rate or an adjustable rate?
Both the **HECM Standard** and **HECM Saver** offer two interest rate options — fixed rate and adjustable rate. The fixed rate option offers the stability of an interest rate that does not change during the course of the loan, while the adjustable rate option is an open-end credit loan that offers the flexibility to pay down the balance and redraw proceeds.

Would you like multiple ways to access your proceeds?
Both the **HECM Standard** and **HECM Saver** allow multiple ways to access proceeds: as a lump sum, regular monthly installments, a line of credit to draw from at the borrower's discretion, or any combination of these options.

With the lower up-front costs of the new HECM Saver, more seniors may be able to beneifit from a reverse mortgage. By taking the time to listen to seniors and understand their needs, we can guide them appropriately so they can choose the best option for themselves.

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