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WE FIRST HEARD OF STEPHANIE MOULTON IN 2011 when it was announced that the MacArthur Foundation had given her a grant to do a three-year research study on what happens to seniors over the life cycle of reverse mortgages. Here at NRMLA we are strong proponents of evidence-based arguments and big fans of those people schooled at compiling the evidence. So we quickly reached out to Stephanie, an Associate Professor at Ohio State’s John Glenn School of Public Affairs, to see if we could assist in her effort. What we found was a dedicated and buoyant researcher focused on housing and consumer finance and the role public policy could play to improve outcomes. And, as it turns out, prior to entering the University of Indiana in pursuit of her PhD, Stephanie had served in the very first group of 100 reverse mortgage counselors under AARP’s program.

In an environment where far too many people seem to be snooping around for criticisms of reverse mortgages, here was someone intent on identifying those factors that would determine the likelihood of success.

As Stephanie and her OSU colleagues, Donald R. Haurin and Wei Shi, went about their research, we had the privilege of her presenting progress reports at our conferences in New York in the winter of 2012 and in New Orleans last autumn.

In this issue, we have the honor of presenting a first look at an outcome of that research (The Right Fix, p. 18) that demonstrates how recent adjustments to the HECM program made by HUD and supported by NRMLA indicate there will be a decline in defaults going forward.

NRMLA’s working relationship with Stephanie will continue on a new pilot program of post-closing counseling in which borrowers’ situations will be reviewed both one and two years into their loans, a study being generously supported by some member companies. And Stephanie has also agreed to serve on a new Research Advisory Board for our association that will be chaired by Chris Mayer and also include Alicia Munnell of Boston College’s Center for Retirement Research, Eric Belsky of Harvard, 2007 Nobel Prize in Economics recipient Robert Merton of MIT and Andrew Scharlach of the University of California, Berkeley.

Since Otto Kumbar of Liberty Home Equity Solutions summoned us to gather in a conference room in San Antonio at our 2012 Annual Meeting and take a critical look at ourselves, you have been hearing about the Extreme Summit. And as you read this, this effort that was once just a notion is launching in three test markets—Philadelphia, Denver and Seattle. For 21 months now, a group of dedicated NRMLA members has been doing what has essentially been a second full-time job, conceiving and creating the tools for what is now known as the New Reverse Mortgage Educational Campaign. And so for the first time we share with you the specific tools and their content. (Kickoff!, p. 12.)

There has been a sense of urgency in our industry about engaging financial planners as advocates of our product. But there is a whole other constituency of advisors—estate planners—who have their own viewpoints and motivations for suggesting to clients that they consider HECMs. Staff writer Mark Olshaker reports on two of them from the San Diego area who provide a good overview of their profession. (p. 20)

Also in this issue, we take a first look at the details of Mandatory Obligations that can be covered by upfront draws (Understanding Mandatory Obligations, p. 24)

We are excited to be able to share all this good hard new information and original thought with you.

Marty Bell, Editor
Seize the Opportunity

By Peter Bell, President of NRMLA

AS I’VE TRAVELED ACROSS THE COUNTRY THE past couple of weeks to brief members about NRMLA’s new consumer education campaign, with its new themes about the New Reverse Mortgage, I’ve seen new enthusiasm beginning to grow.

Many eyes will be drawn towards us this month as we embark on the campaign, an effort to prompt individual homeowners to set-aside any pre-conceived notions and take a fresh look at how HECMs are proving to be a helpful tool for funding longevity. This presents a perfect opportunity for NRMLA members to promote a more positive image of who’s involved in this business and our motivation for participating.

Skeptics may well come out and try to shoot the campaign down by re-hashing old material about issues that have long since been addressed. But let’s all stay on course, transcend the cynical and ill-informed, and seize this opportunity to rise above their chatter and tell the story as we really know it to be.

We have all seen households attain a higher level of comfort as they age by utilizing reverse mortgages to help manage their financial affairs. These are the stories we need to get out, through the campaign, through the association’s and the industry’s other communication channels, and through the efforts each of you make in your own communities.

Your own individual efforts will be an integral part of the campaign. Each and every employee of NRMLA member companies, each and every delegate, is an important resource for helping to spread the word. (If you are not yet registered as a delegate under your company’s membership, go online to www.nrmlaonline.org and sign up now. There’s no cost to do so.)

The message we are trying to put forth is that reverse mortgages, the HECM program, in particular, is a continually evolving tool and that HUD, Congress and the reverse mortgage industry make refinements to the program as we learn from borrower experience how reverse mortgages can be best deployed and used effectively to ensure the survivability of households’ financial assets to fund longevity.

There are many ways you can help. You should become familiar with the campaign’s messaging points and use them in your own marketing and outreach efforts. Forward us contact information for any clients you have worked with who have utilized a reverse mortgage as part of a comprehensive approach to managing their finances and might be willing to talk to a reporter. Also, send us the names of any financial planners or other trusted advisors you’ve met who understand and can help articulate how they see reverse mortgages as a tool to help some of their clients.

This presents a perfect opportunity for NRMLA members to promote a more positive image of who’s involved in this business and our motivation for participating.

Balanced Viewpoint continued on page 5
Before launching the campaign, we had an independent research company poll consumers in our three test markets to gauge their familiarity with reverse mortgages and assess their attitudes towards them. We will conduct similar polling along the way during the campaign and at its conclusion. Our goal is to prove we can move public perception and with that evidence in hand persuade our industry’s major stakeholders to expand the effort on a nationwide basis.

There is a lot we can do as an association to promote broader positive perception of reverse mortgages, but, in the end, our success depends heavily upon what all of you do out in the field. Familiarize yourself with the themes we are promoting and get out there to spread the word in the communities where you live and work.

A confluence of events has given us a unique set of circumstances to redefine what we do and the value of the product we offer. Seize the opportunity. Don’t let it pass us by.

The most important thing you can do is be a strong advocate for the cause. What I mean by this is get out within your communities and talk up the themes. Seek opportunities to talk to civic groups and community organizations. Help inform them that the new, improved HECM is a flexible tool that can help many older homeowners gain greater control over their financial future. Explain the numerous ways that homeowners are deploying HECMs. (Check out our list of “25 Ways to Use a HECM” on the NRMLA website.)

The Association will be providing a generic brochure explaining what’s new about the New Reverse Mortgage, a one-page flyer in an easy to email format, a PowerPoint presentation and an outline of talking points to help you keep consistent on our messaging. These communications “assets” will be available for members to download from the NRMLA member website, nrmlaonline.org, as the campaign gets underway in the days ahead. Familiarize yourself with them and use them whenever the opportunity arises.

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A recap of news from the past two months

Government:

Ginnie Mae Implements HMBS Restrictions on June 1
In May, Ginnie Mae sent a notice to its issuers reminding them that fixed rate HECM loans that allow borrowers to take future draws may not be included in Home Equity Conversion Mortgage-Backed Securities (HMBS) with an issue date on or after June 1, 2014. These restrictions were first issued in the All Participants Memorandum (APM) 14-04 dated April 1, 2014.

Ginnie Mae instituted the moratorium until it and FHA have additional time to study these new product variations.

Non-Borrowing Spouse HECM Litigation Continues Apace
The Bennett and Plunkett HECM non-borrower spouse (NBS) cases continue to be litigated at an accelerated pace in the U. S. District Court for the District of Columbia, with another important filing by HUD on June 4 (a “Determination” of the FHA Commissioner to provide no relief to the individual NBS in the Bennett case), and fully to honor HUD’s insurance obligations to lenders in those cases), and with another court hearing June 10, 2014.

HUD also filed with the Court a “Status Report” on the results to date, of FHA Info 14-19 (April 21, 2014)—the permitted 60-day extension of foreclosure timeframes for certain NBS. In its Status Report, HUD noted that, as of May 28, 280 requests for such extensions had been received (and approved), and that, from January 1, 2014 through May 15, 2014, the FHA had received 6,550 notices of the initiation of foreclosure.

The Court still has before it a request, that HUD vigorously is opposing, that the Court certify a nationwide class of NBS, and a challenge to the HUD Determination to provide no relief to the individual NBS.

HUD (including the FHA Commissioner) and its attorneys clearly are expending a significant amount of time and energy in thinking through the best approach to resolving these NBS issues in a manner that best serves the interests of seniors and HECM program participants, and that preserves and strengthens the HECM program in the years to come. NRMLA remains committed to fully supporting that effort by HUD.

Industry:

NRMLA West Clarifies Major Issues During Time of Transition
At NRMLA’s Western Regional Meeting & Expo in San Diego in May, 282 conference attendees tackled the challenges of the moment: confusion about the final form of financial assessment; questions about what happens to pending cases despite the fact that non-borrowing spouse rules have been altered going forward; and the recent press scrutiny levied on servicers who are following HUD’s rules, and yet being criticized for not allowing some heirs to purchase their relatives’ properties for 95% of the appraised value.

Diane Coats of Generation Mortgage Company, Paul Fiore of American Advisors Group and Tracy Milligan of One Reverse Mortgage guided attendees through various sections of the HECM Financial Assessment and Property Charge Guide issued last September, but expected to be amended in an upcoming Mortgagee Letter.

Karin Hill, a Senior Policy Advisor to the Deputy Assistant Secretary of Single Family Housing at HUD, warned lenders and counselors they should not be directing seniors to ignore the intent of upfront draw limits and withdraw all of their remaining funds in the thirteenth month, but rather access equity only as they need it. This allows the borrower to remain financially stable for a longer period of time and it helps minimize risk to the FHA insurance fund.

Hill was optimistic that the mortgagee letter refining the Financial Assessment process will be published this
summer, followed by a 90-day implementation period. She also mentioned that HUD is working on a proposed rule that would amend condo approvals and bring back a variation of the old spot condo process.

In the wake of The New York Times questioning adherence to the process that heirs must follow to pay off their parent’s reverse mortgages, NRMLA presented a session focused on due and payable and first legal action timelines. Three of the industry’s leading servicing experts – Linda Bridges of Wells Fargo (who also serves as Co-Chair of the Servicing Committee), Leslie Flynn of Reverse Mortgage Solutions and Gail Balettie of Financial Freedom – walked audience members through the payoff process. All three presenters stressed that loan originators should never promise their clients that they have 12 months to pay off the reverse mortgage when it becomes due and payable, because extensions are not always granted by FHA.

NRMLA Responds to Takano Report With Hometown Op-Ed

The Press-Enterprise (Riverside, CA), hometown newspaper of Congressman Mark Takano, who last month published a report criticizing reverse mortgages and questioning the federal government’s involvement, ran an op-ed written by NRMLA President & CEO Peter Bell that tells the story of two grateful constituents who benefited from the program.

Rather than address Congressman Takano or his report, titled Reverse Mortgages: Senior Housing Bubble Held Together by Glue and Tax Dollars, NRMLA interviewed borrowers Rosalio “Leo” Corona and Ken Keranen, who described how the HECM has had a profound impact helping them remain financially secure throughout retirement.

Bell also highlighted how there has been a “great deal of work and collaboration between the reverse mortgage industry and the federal government” to implement much-needed reforms, such as the financial assessment and upfront draw restrictions, that protect consumers as well as the long-term stability of the FHA Mutual Mortgage Insurance fund.

NRMLA Responds to Senators’ Loan Payoff Concerns

The New York Times reported that Senators Barbara Boxer (D-CA) and Charles Schumer (D-NY) had submitted a letter to Housing Secretary Shaun Donovan expressing concerns that reverse mortgages servicers are unfairly foreclosing on the heirs of reverse mortgage borrowers. NRMLA immediately reached out to all of the parties involved to resolve the matter as quickly as possible.

The letter was sent in response to the March 26th Times article, “Pitfalls of Reverse Mortgages May Pass to Borrower’s Heirs,” which stated that “reverse mortgage companies are increasingly threatening to foreclose unless heirs pay the mortgages in full” instead of the lesser of the loan balance or 95% of the property’s appraised value.

Some of the confusion stems from Mortgagee Letter 2008-38, which required lenders to accept nothing less than the full mortgage balance as payment from family members or heirs if there was no conveyance of the property. HUD rescinded the letter in 2011 and stated at the time that it would issue further guidance, but has yet to do so.

NRMLA immediately consulted with HUD, the staffs of Senators Boxer and Schumer and the Servicing Committee, which is comprised of all the major reverse mortgage servicers. In NRMLA President and CEO Peter Bell’s view, the situations about which the Senators are concerned occur as the result of a legal vagary within HUD regulations.

“The implication in the letter from the senators, that there has been some misbehavior, I think is completely wrong,” said Bell. “I think what’s going on here is a complex technical issue that has to do with HUD’s lawyers’ interpretation of when HUD should accept the 95% payoff. In some cases, people have someone who is on title who is not the borrower. People will get a reverse mortgage and put their kids on title, assuming that when they die the house won’t have to go through probate. But if (the title) hasn’t been through a legal transfer, then in HUD’s view it isn’t a sale.”

CBS MoneyWatch: Reverse Mortgages Poised for Comeback?

After taking a hit during the financial crisis, reverse mortgages are looking at a potential revival because of government reforms that have strengthened the product combined with aging baby boomers who are looking for additional sources of income to fund their retirements, according to a story published by CBS MoneyWatch.

In her article, “Reverse Mortgages May Be Ready for a Revival,” reporter Aimee Picchi wrote that reverse mortgages come with different risks than traditional mortgages, but they “provide a way for many Americans to fund a comfortable retirement and may grow in popularity as millions of baby boomers enter their golden years.”
The Art of Compromise

Reza Jahangiri, American Advisors Group  By Darryl Hicks

REZA JAHANGIRI FOUNDED AMERICAN ADVISORS

Group ten years ago when he was 26 years old. As Jahangiri celebrated his 36th birthday in June, AAG is the nation’s largest reverse mortgage lender.

Seeking a better life in America, Reza’s family emigrated from Iran in 1978 when Jahangiri was only two months old and settled in Orange County, California. He graduated from the University of California-Irvine with a Bachelor of Science degree followed by a Juris Doctorate from Loyola Law School in Los Angeles.

As a young entrepreneur, Jahangiri co-founded Heart-Savers, a medical imaging company that worked with Johns Hopkins Hospital, utilizing state-of-the-art scanning technology to detect the early onset of heart disease, cancer and other maladies.

In 2004, Jahangiri saw a new business opportunity—reverse mortgages—and he formed American Advisors Group. By 2009, AAG was a Top 20 lender, but two significant changes occurred that changed the company forever.

First, Jahangiri formed a new management team that included some of the industry’s most talented marketing and sales executives. Among them were Teague McGrath and Paul Fiore, who helped develop the successful direct-to-consumer platform for Senior Lending Network. Second, AAG received a significant capital investment from JAM Equity Partners of El Segundo, CA, which allowed the company to compete nationally and build its own recognizable brand.

It took five years, but AAG reached the top lender spot at the end of 2013 and has not relinquished it since. In addition to a talented staff, the company attributes much of its success to the national television advertising campaign featuring actor and former United States Senator Fred Thompson as AAG’s spokesperson.

Outside of AAG, Jahangiri serves as Vice Chairman of NRMLA’s Board of Directors and Co-Chairman of the Policy Committee, where he has spent the bulk of his time the past six months forging a consensus among his industry colleagues, and working closely with FHA, to ensure that financial assessment and other critical reforms are implemented as efficiently as possible.

Reverse Mortgage magazine interviewed Jahangiri recently to talk about his leadership roles in NRMLA, his marketing successes and his future.

Reverse Mortgage: Most people I know in the reverse mortgage business have a background in real estate or financial services, but your first venture after graduating from college was in medical technology. How did that come about and what made you switch to reverse mortgages?

Reza Jahangiri: I was exposed to the reverse mortgage business through a friend. The product strongly resonated with me because I saw it as a solution to a huge social issue: seniors outliving their retirement savings. Like everyone, I was aware of the demographic trends and saw home equity becoming a larger part of a retirement planning solution.

Talking Heads continued on page 9
In addition, it was clear there was a broad-based lack of awareness and negative perceptions associated with the product. That spelled opportunity. I felt there was a responsibility to help educate the public at-large with the facts about how reverse mortgages can help seniors.

**RM:** The Policy Committee, which you Co-Chair along with Colin Cushman of Generation Mortgage Company, has helped shape some of the most critical policy changes the industry has ever seen. Is there a key to the committee’s success?

**Jahangiri:** In this business, it’s more important than ever for competitors to be on the same side of the fence. On the Policy Committee, we have a number of CEOs from all different backgrounds who have joined forces to tackle hard-pressing issues. Most recent topics include financial assessment, principal limit utilization restrictions and the treatment of non-borrowing spouses. A lot of these issues are thrown at us in a curve ball fashion and we need to respond quickly. We generally pull data and subject matter experts from our individual companies and assign these resources to a subgroup that huddles two to three times a week until the issue is resolved. One of the lessons I’ve learned from the heated discussions that we’ve had on these very challenging topics is the art of compromise. We all have slightly different backgrounds and follow different business models, but at the end of the day, we find a solution and speak as one, unified voice in front of HUD, Capitol Hill and the various interest groups.

**RM:** What issues is the Policy Committee focused on at the moment?

**Jahangiri:** Financial assessment, until it’s rolled out, requires heavy coordination with FHA. During the first quarter of 2014, the hot issue was fixed-rate HECM variants and responding to questions raised by Ginnie Mae and HUD. In any given month, state issues will also pop up. These activities have prompted us to build a data repository to which all of the top originators contribute. The repository allows us to share information and collectively determine how the industry is trending to better understand what is working and what is not.

**RM:** You have earned a reputation for being a voice of reason on the Board of Directors and on the committees that you serve. Do you agree?

**Jahangiri:** That’s a very generous compliment. Although I wear my AAG hat when I cast a vote, I may act as a mediator or facilitator if there appears to be a considerable gap in ideas and positions. At the end of the day, it’s important we show a cohesive rather than a conflicting point of view in front of the rest of the world. Over the last two to three years, we have evolved from being a somewhat disjointed industry to one that is more aligned. Things have certainly shaped up in terms of pulling together resources and backing NRMLA.

**RM:** A lot of people are worried about the impact that financial assessment will have on their business, but you are very outspoken that AAG has been conducting similar reviews from the very beginning. Why did you move in that direction?

**Jahangiri:** We think it’s critically important to dig deep and understand the client’s balance sheet, cash flow and income statement, so that we understand how a reverse mortgage impacts their financial picture on a comprehensive basis, as opposed to taking a call and shooting out a form with rates and terms. As part of that process, we fill out a financial worksheet that documents every expense. If the client is in a negative cash flow situation, we analyze their profile before and after a reverse mortgage.

Although we perform a financial assessment as part of the education process, we haven’t incorporated this into our underwriting guidelines. The data we collect is primarily used as a sales and informational tool. With that said, we acknowledge that FHA is trying to achieve something very important, and support their efforts. But to be clear, we won’t recommend the product to seniors if they don’t have the financial means to cover their property-related obligations.

**RM:** How do you handle clients who, based on your evaluations, may not be able to continue paying their property taxes and insurance?

**Jahangiri:** We don’t stop them from moving forward, but do advise against it. We train our salespeople and explain to
them that a reverse mortgage may not suit the client when it appears they don’t have the resources to handle their ongoing responsibilities, post-transaction. We disclose that, but don’t put the client through additional underwriting that may prevent them from moving forward. We’ve been waiting for HUD to issue its guidance before implementing that step.

**RM:** Have you ever advised a client to set aside funds in a line of credit to cover T&I?

**Jahangiri:** We usually see if they have other sources of income that they can tap into from family. If they are in a negative cash flow position by a certain amount, we discuss other possible assets they may not have considered. Or, if the family is in the picture, we ask if the client’s relatives have the financial resources to cover the shortfall. We also advise the client if they can’t afford to stay in the home, they may want to consider selling it and downsize, which is sometimes an unfortunate reality.

**RM:** For the first five years you were in business you relied heavily on direct mail, but then changed to television. Why?

**Jahangiri:** AAG experienced a number of issues with state regulators involving our direct mail advertisements in 2008 and 2009. We relied on a third-party firm to control our marketing and we were not diligent enough in our oversight. Once we raised capital from JAM Equity, we made the decision to place additional focus on: a) compliance and messaging in connection with our products and, b) broadening our reach by ramping down on direct mail—due to market saturation and low response rates—and re-focus our efforts toward television and internet. We felt television would provide the broadest reach for our demographic. Simultaneously, we transitioned from being a broker to a mortgage banker and expanded our footprint from 15 states to 48 states. We initially launched a marketing campaign with actor Peter Graves as our national spokesperson. When he passed away, former Senator Fred Thompson came on board. While we’re seeing evidence of perceptions changing, there is still a lack of awareness about reverse mortgages as a mainstream financial planning tool. We believe having a credible person with strong acting and political credentials brings more awareness to the product, helps alleviate misconceptions and encourages people to pick up the phone and call for more information. We’ve seen other trends on the marketing side as well. Several years ago, I mentioned at a NRMLA conference that we expected digital to surpass television from a lead volume standpoint and today we’re pretty much at the 50-50 mark.

**RM:** While we are on the topic of celebrity spokespeople, the mainstream media often begin stories by equating reverse mortgages with “pitchmen” like Senator Thompson or Henry Winkler. Reporters and consumer advocates advise consumers that reverse mortgages are much more complex than what is described in commercials and that they should proceed with caution. Do you think these arguments diminish the use of celebrity spokespeople?

**Jahangiri:** From a consumer standpoint, I think the overall impact is positive and brings more awareness to the table—which is what we need as an industry. I don’t see how having a known, credible spokesperson discussing the product on television creates an adverse or negative impact. The messaging is thoughtful and it simply encourages people to call for more information. We are not trying to hammer the product down anyone’s throat.

**RM:** You have a new series of commercials where Senator Thompson speaks with the sons and daughters of reverse mortgage borrowers. What message are you trying to convey?

**Jahangiri:** We think that commercials that are aimed at the children or heirs helps broaden the product’s reach. We already incorporate children in the sales process internally at AAG, so it makes good sense to reach them in our advertising efforts as well. Oftentimes, children are responsible for alleviating their parents’ cash flow shortages. They can either continue giving their parents monthly checks or the family may consider a reverse mortgage where the parents are using their own assets to support themselves.
RM: Few people analyze data as religiously as you. What are some interesting trends that you are seeing?

Jahangiri: We’ve seen a nice rebound in AAG’s retail originations, as well as by other retail players, in the second quarter. However, the recovery is still a bit soft on the third-party (broker) side, since the recent changes were implemented. We’re looking at 2014 as a policy reset and contraction year and need to start planning for 2015. The reverse mortgage industry is going through three to four new layers of changes—non-borrowing spouse, financial assessment, utilization restrictions and lower principal limit factors—a lot of change for one year. But, the structural changes being made to the program will help diminish outside attention and enhance product integrity, a long-term net positive.

RM: I know the bulk of your advertising dollars go toward television and digital, but do you use other mediums, like radio, print and direct mail?

Jahangiri: I think the core fundamental element of a successful and effective direct response platform is diversification. Each of these vehicles has a place in the direct response world to enhance our reach. Television helps build on web performance. Digital (internet, social media) helps build on print and radio performance. We continue to use all of these strategies, but they ebb and flow at times, based on media cycles and results.

RM: Are your advertising decisions driven by market or region?

Jahangiri: It can depend on the region, or the media cycle—or other factors. As television tightens from a media cycle standpoint, and there are fewer viewers watching, we may decide to tap our own database and distribute a direct mail piece. We have millions of contacts in our database who have responded to the television ads, but only a small percentage of people actually follow through and are issued a reverse mortgage. However, it’s important to continue touching these contacts because circumstances change. From a regional standpoint, radio speaks to some customers better than other media. We’ve done a lot of print advertising over the past three to four years. But the key is diversity, so if one channel starts getting saturated or is not performing, you can rely on others.

RM: In 2011, you created the AAGives Back campaign, which supports various local and global charities. What prompted you to develop this humanitarian effort?

Jahangiri: While traveling to Uganda, I was exposed to the Kwagala Project, which helps women and children who are survivors of human trafficking, by providing them long-term rehabilitation, food, shelter, education and vocational training. I saw firsthand the impact the organization made in the lives of people and it touched my heart—I had to get involved. This experience prompted the start of AAGives Back—and the Kwagala Project is our anchor campaign. I believe social responsibility should be part of the corporate landscape. We should all be doing our part to integrate with the community, provide philanthropy and offer a channel for employees to get involved. We also support local shelters and food banks, senior and veteran’s causes and organizations, like the Alzheimer’s Association. AAGives Back provides an opportunity for our employees to help others. The program adds to AAG’s culture and enhances employee dynamics. The staff is engaged and feel like they are part of something larger than the work they do here on a day-to-day basis. We’re very fortunate that our employees have responded so well to the program.

RM: You are only 36. Do you envision yourself ever leaving the reverse mortgage business and embarking on a new entrepreneurial venture?

Jahangiri: Just by looking at volume penetration alone, I have another 50 years ahead of me in this business! In all seriousness, though, I have a passion for the product and in helping advance the industry. We have a lot of goals yet to achieve at AAG. I don’t see myself going anywhere soon – I’m excited to see where we’re headed. In my next life, however, I may come back as a rock star or restaurateur...
WE ARE ABOUT TO BECOME A FACULTY 1946 STRONG.
That’s twice the size of the faculties at both Harvard and Stanford. And those folks are pretty effective.

Our experience at NRMLA has been that when we educate our constituents—the government and the press—about reverse mortgages, we earn support. Those who understand it, get it. And you have probably had a similar experience with consumers. As clothier Sy Sims used to say, “An educated consumer is our best customer.” And so we intend to enlist all 1946 current NRMLA members to help us educate.

I’m sure we all agree that current volume would indicate we have not done a good enough job educating enough people thus far. So let’s change that.

On July 7, we launch what we have been referring to as the Extreme Summit effort—the most comprehensive education campaign since this financial product was created in 1987. Initially, we will be testing our educational assets in three markets—Philadelphia, Denver and Seattle. But just because the focus is in those towns does not mean you are off the hook if you’re in Orange County or New England.

We have a good story to tell. But we all need to be telling the same story.

We’ve been given a free kick courtesy of Congress and HUD. Like all free kicks, this one was preceded by a lot of hard running and sweat. But the changes in the HECM program in the process of implementation by HUD as a result of the Reverse Mortgage Stabilization Act of 2013 legitimatizes us proclaiming that there most definitely is a new reverse mortgage.

Research being released this month by Stephanie Moulton and her team at Ohio State shows that limiting upfront draws and requiring financial assessment and set-asides for those who need them will indeed reduce tax and insurance defaults—so the new reverse mortgage is safer.

New research continues to accumulate showing methods of utilizing a reverse mortgage along with other benefits and savings to prolong the life of your assets. The combination of this research and the availability of lower upfront costs from many lenders has attracted the attention of financial advisors and estate planners, so the new reverse mortgage is more versatile.

Reverse mortgages have evolved as a result of observing borrower behavior by HUD, researchers and the industry, so the new reverse mortgage is quite simply better.

Safer, more versatile, better. And thus, a smart choice for retirement planning. That’s our message. That’s the new reverse mortgage.

Extreme Summit
For the past 18 months, ever since our first skull session at NRMLA’s 2012 annual meeting in San Antonio, you have probably been hearing about the industry-wide project inspired by Otto Kumbar of Liberty Home Equity Solutions and referred to as the “Extreme Summit.” Six member companies—AAG, Generation Mortgage, Liberty, One Reverse, RMS/Security One and UFA—have contributed a total of $1.2 million and representatives of their marketing teams have been working to create the educational materials to spread our message.

From now on, what we have called the “Extreme Summit” will be known as the New Reverse Mortgage Educational Campaign. And the theme of the campaign is “A Smart Choice.”

The goal of this effort is to work together as an industry to educate a larger percentage of consumers, the press and government about how reverse mortgages have changed and why they are now a better product.
New Reverse Mortgage Tools

Our “Smart Choice” television spot will be tested in Denver, Philadelphia and Seattle for 13 weeks beginning in mid-July.

Markets were selected that indexed high for home value, target age of 62+, and are efficiently priced. These markets selected will also provide statistically reliable results that can be translated to a national level.

“A Smart Choice” follows the life path of a male boomer though his education, marriage, buying a home, raising a family. “You’ve made it this far by making smart choices,” our boomer says. And then he reaches retirement. “Don’t stop now,” he continues. “Take advantage of the new reverse mortgage. Find out how it can be the smart financial tool that lets you live the life you’ve earned.”

Newspaper ads

Our half page, black and white ad will run in the Philadelphia Inquirer, the Denver Post and the Seattle Times once a week for seven weeks each, beginning in conjunction with the running of the television spot.
Website

Our new education campaign website, newreversemortgage.org, will go live in early July and be available for you and your clients all around the country. This minisite includes a longer version of the television commercial, video testimonials from borrowers, and expands on the “Smart Choice” theme, including suggestions of specific ways borrowers are utilizing the new reverse mortgage in their retirement planning.

Local Public Relations

In each test market, we plan to meet with local press to explain the new reverse mortgage and offer borrowers and researchers for interviews. The press effort in Philadelphia will be coordinated by River Communications. The efforts in Denver and Seattle will be coordinated by free-lancer Jenn Rass.

How can you help?

Given the speed and breadth of communication these days, we are one big national community. Just because the focus of the pilot is concentrated in other markets does not mean you are excluded. Quite the contrary. Any chance you have to share the campaign messaging will strengthen our ability to educate more consumers.
You all have websites, Facebook, Linked In and Twitter accounts, send emails and brochures. All your tools should be a part of the industry arsenal.

We will be providing trifold brochures, lengthier, more detailed brochures, one-sheet explanations and talking points. Incorporate the information provided in all of your communication materials. Help us tell our story.

Cautions

The National Reverse Mortgage Lenders Association (NRMLA) is not a licensed lender or broker, and does not make or offer loans.

This is an educational effort.

This is not a marketing campaign. This is not a “branding” campaign. This is not a lead generation campaign.

After the pilot, then what?

We will present a thorough report on the experience and results of the pilot at NRMLA’s annual meeting in Miami Beach in November. We’ll evaluate together what was effective and what was not.

We have already done consumer research to measure the current level of knowledge amongst consumers. On our behalf, Hall and Partners has interviewed 250 seniors in each of the test markets. At the end of this effort in October, we will again do interviews to determine if the consumers are now better informed.

And we’ll hope to use our experience in the test markets to design a national educational campaign to launch in 2015.

Any chance you have to share the campaign messaging will strengthen our ability to educate more consumers.
Lighting your way in Reverse.

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YOUR COMPLETE REVERSE MORTGAGE SOLUTION OFFERING:

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- Multi-level partnering program
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The Latest Changes to the HECM Program seem to be on target to reduce defaults, according to the results of a paper issued in July by a team of researchers at Ohio State University.

In “An Analysis of Default Risk in the Home Equity Conversion Mortgage Program,” Stephanie Moulton of the John Glenn School of Public Affairs, along with Donald R. Haurin and Wei Shi of OSU’s Economics Department, conclude that while 54,000 loans, or 9.4% of all HECMs, are currently in default, going forward limitations on the first month withdrawal alone can reduce the probability of future defaults by more than 20 percent. However, their models also predict that limits on the amount of up-front withdrawals may reduce the take-up of HECMs by as much as 20 percent, to the extent that seniors with a demand for more funds up-front decide to forgo the HECM altogether.

Further, their study finds that utilizing credit criteria as part of a financial assessment of potential borrowers can reduce the probability of future default even more, with less impact on HECM loan volumes than the initial withdrawal criteria. For example, adding a minimum FICO credit score of 500 is predicted to reduce default by about 12 percent, while a minimum FICO score of 580 is associated with a nearly 40 percent decrease in the default rate. Both limits are predicted to reduce HECM volume by only 4 percent or less.

The level of default hovering around 10% has been a monkey on the back of the HECM program, attracting criticism and creating fear in potential borrowers. It has been in direct conflict with the original intent of the program to enable financial security among aging Americans and retirees by supplementing Social Security and helping them meet unexpected medical expenses and home modifications as they age. And yet in the 25-year history of the program, there has been no previous literature analyzing the default problem.

The OSU team study, supported with grants from both the MacArthur Foundation and the Department of Housing and Urban Development, that insures and regulates the HECM program, followed the outcomes of 30,000 senior homeowners who had previously received counseling for a reverse mortgage through Clearpoint Counseling agency.

“Given the lack of prior data and empirical analysis,” the paper reads, “the first objective of this study is to identify the factors contributing to default risk for reverse mortgage borrowers. We accomplish this objective using a comprehensive dataset of households who sought counsel-
The Right Fix continued from page 18

... for a reverse mortgage, linked to loan level data indicating whether or not the household obtained a reverse mortgage and characteristics of the reverse mortgage. Our resulting dataset includes a large set of demographic, financial and credit characteristics at the time of counseling, as well as information about the reverse mortgage transaction, including the initial withdrawal percentage and whether or not the borrower was ever in technical default on their loan. We expect that unobserved characteristics associated with a borrower's decision to take out a HECM may also be associated with technical default.”

Assessing the experiences of this broad range of borrowers showed that default risk increases with a higher percentage of funds permitted to be withdrawn in the first month, lower credit scores, higher property tax to income ratios, low or no unused credit and the consumer having a history of being past due on mortgage payments or having liens on their property.

With the changes being implemented since late 2013 as a result of the authority granted HUD by the Reverse Mortgage Stabilization Act, the research indicates the HECM should be safer for borrowers.

Limitations of early draws should prolong the life of loan proceeds.

Financial assessment should indicate those who cannot afford to fulfill their responsibilities as well as those who have a history of not fulfilling them. Previously, without the results of a financial assessment, lenders could not determine if borrowers were already behind on real estate tax and home insurance payments or if, like some consumers, they simply had a resistance to paying taxes.

Some borrowers will take advantage of the protection of a set-aside for taxes and insurance to be sure money is there when required.

The OSU research, long overdue in this industry, fills one of the voids in data needed to fully evaluate the success of the program. It sheds new light on the likely outcome of making loans by identifying demographic, financial and credit characteristics of borrowers.

“... the viability of the HECM program depends not only on fiscal solvency (the MMI fund), but also on the perceived public value of the program,” the study reads. “If large numbers of senior homeowners with HECMs are being foreclosed upon for failure to pay property taxes and insurance, there is significant risk to the program. The fact that seniors in tax and insurance default may have equity remaining in the property may exacerbate public concerns about the program’s purpose and policy effectiveness. Foreclosing on senior homeowners for a relatively small tax bill in comparison to the amount of equity in their properties has been perceived negatively by senior advocacy groups and the general public. Addressing the tax and insurance default problem is thus a significant issue for the policy viability of the HECM program, regardless of the fiscal impact. While our analysis does not address broader implications related to the fiscal solvency of the program and the MMI fund, it does offer insights that can inform policy design—and market innovations—to address the viability of the HECM program over the longer term.”

It was the goal of those who created the HECM program to make reverse mortgage loans available to as many aging Americans as needed them. And so choices were made in the design of the program that would encourage borrowers (non-recourse loans, mortgage insurance) and that would thus create enough of a market to encourage lenders to take on the expenses of selling and servicing.

By choosing to overlook the behavior patterns of interested borrowers, the program may have been too optimistic for its own good. The desire to attract many borrowers may have seemed more important than attracting the right borrowers—those who could fulfill their obligations and meet their needs.

Implementing draw limits, financial assessment and set-asides at an earlier time in the program’s evolution could well have reduced tax and insurance defaults, and the resultant borrower anguish, and built a better reputation for the product and as a result amassed the contingent of borrowers originally anticipated. Hopefully, that will be the result going forward with these new implementations.
Have You Ever Considered Approaching Estate Planners?

Advisors with Their Own Unique Perspective

By Mark Olshaker

ANYONE INVOLVED IN THE REVERSE MORTGAGE industry knows that the process works best and most efficiently when it is a team effort. And with the recent and forthcoming changes in HUD’s HECM rules, it has been acknowledged widely that financial planners are becoming increasingly important players on the team, both in terms of generating prospects and incorporating reverse mortgages into total retirement plans.

Yet often overlooked in the new equation is the equally valuable position that estate-planning attorneys can play. Their “value added” role and the ways their approach differs from financial planners was addressed at the recent NRMLA Western Regional Meeting in San Diego by Joel Weissler and Ronald Chin. Both men are prominent name partners in their respective law firms. The Weissler Law Group is in central San Diego. Rose, Munns & Chin is enviably located on idyllic Coronado Island.

Both attorneys freely concede that their locale is not typical. Ironically, though, their clients collectively provide a near perfect model for what the new HUD rules are aiming at. Specifically, a large percentage of Coronado’s older residents own homes, and have lived in them long enough to own them outright. The client bases are largely made up of retired military officers and their spouses. They have not spent their careers at high income levels, but they receive pensions and are analytical and methodical planners.

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As Chin puts it, “When Joel and I work as estate planners, the reason why folks come into our offices and are willing to engage us and pay us to help them is because they’re highly disciplined individuals. They want to plan the best possible course moving forward into their retirement, or for whatever needs are presenting themselves at that point.”

The word discipline comes up repeatedly in the two lawyers’ discussions.

Weissler describes his clients as “seventy percent retired military officers, super, super conservative [about their investments] and very articulate.” He says his customers represent “the full range from very wealthy to moms and pops whose nest egg is their home.”

The intuitive distinction between financial planners and estate attorneys would seem to be the difference between planning for life and planning for death. While that may once have been true, modern estate attorneys take a far more comprehensive approach. “Traditionally,” Weissler explains, “estate-planning attorneys have focused on, ‘Well, what happens when you die?’ Or, at least, that’s how people thought about us. But more and more, we’re finding out not just about their lives and what they want for the future for their children, but for what has to happen, not if they die, but if they live. And providing for themselves better or different financially is a big part of that.” He and Chin agree that about ninety percent of the seniors they serve want to stay in their homes as long as possible.

They also feel that many estate attorneys may be more open to reverse mortgages as part of a total plan than are financial advisors. Weissler comments, “For most estate planners, loans seem much friendlier than [other] financial products and so there’s not the last resort view that many financial planners have. Why is it a last resort for most financial planners? Because most financial planners are not getting a commission off it, so it is their last resort to sell it.”

He believes this is an important delineation. “There are attorneys out there that are licensed as financial planners, maybe originators of reverse mortgages as well, and they’re in a different situation. But the majority of us, all we get paid is on legal fees. We get paid for our advice, for the work that we do for the clients. We don’t have a stake in what they should buy or do as far as outside products.”

But they do embrace the HECM. “You have to know that this is in your bag of tools,” says Weissler, “because it creates some real opportunities for clients who don’t want to have to compromise assets that are already earning income. They want to have flexibility, but it also has to be done with discipline because you can’t just have a checkbook and write a check unless you have a plan for implementation and a plan for down the end.”

Adds Chin, “We’ve virtually never had a situation where a reverse mortgage was a measure of last resort. It is used as an alternative liquidity instrument so that we can fund those expenses that are in front of us. The cash flow aspects have been the most useful parts in my particular practice.” If a sudden need arises, a HECM can help avoid having to sell off investments that are currently down, or to supplement the income of a military spouse suddenly living on a much-reduced Spousal Benefits Pension when the serving retiree passes away.

Weissler recalls, “The first reverse mortgage I recommended was for a woman with nine or ten properties. She was getting hammered on the property tax, and for her the HECM was an ideal solution. We say it can help you avoid ‘being broke at a higher level.’”

Another distinction in approach may be that because of the end-of-life issues with which they deal, estate attorneys are perhaps more sensitive to life maintenance versus lifestyle considerations. “A large percentage of our cases and clients have to do with long-term care,” Weissler states. “One in five seniors, according to statistics, will need it. Even someone who has substantial assets is going to be hard-pressed to produce enough cash for that.”

A HECM can fit into the strategy. “For some clients
who have limited income and look at the possibility of needing additional care, a reverse mortgage to service a long-term care insurance policy makes sense. And that’s kind of a triple team situation where the estate planner sees the need, the reverse mortgage fits in, and then it’s going to be someone who sells long-term care who sells that policy. So teamwork is really what works best when working with estate planners.”

Weissler told the NRMLA audience, “You have two classes of attorneys who hold themselves out as estate planners: those that develop and maintain a relationship with their clients and those that ‘sell documents.’”

Though he noted it was more likely for brokers to refer clients to estate attorneys than the other way around, he highlights the benefits of the collaboration for both parties. “For those of us who develop the relationship with the client and really look at the client’s situation, that can make a difference for you. It’s a smaller cadre and they will represent smaller volume. But if you bring clients in to such an attorney, they can increase your stature and help you close.”

Both attorneys see a wide range of HECM uses. Weissler mentions not only building a room onto a client’s home for a caregiver, but also building onto an adult child’s home in anticipation of parents moving in, either for their own care or to help out with grandchildren. “And that’s a wonderful, happy win when you can find that.”

Just as beneficial is using a HECM to help retired parents provide for special needs children without placing a burden on their other children. “A reverse mortgage is an ideal tool for taking cash out to fund a special needs trust, especially for parents in their seventies and eighties,” says Weissler. He suggests marketing to organizations that cater to families with special needs challenges.

Chin recalls another creative use in the estate-planning sphere. “The very first reverse mortgage I ever did was for a three-star admiral who came in with two granddaughters. A reverse mortgage is an ideal tool for taking cash out to fund a special needs trust, especially for parents in their seventies and eighties,” says Weissler. He suggests marketing to organizations that cater to families with special needs challenges.

Chin recalls another creative use in the estate-planning sphere. “The very first reverse mortgage I ever did was for a three-star admiral who came in with two granddaughters.

Estate Planners continued on page 23
One was going to dental school and the other was going to medical school and he didn’t want them to have to take out loans to fund those educations. His son, a retired navy captain, had already used up all his GI Bill benefits putting them through college. The grandfather didn’t want to liquidate any of his investment assets, which had a very low basis. He brought a loan officer with documents to me and told me what his plans were. This guy had an electrical engineering degree from the Coast Guard Academy and he had an advanced engineering degree from Cal Tech, so he knew his numbers. And he basically showed what it would take to fund a conventional mortgage to put these grandchildren through professional school versus doing a reverse mortgage. His plan showed if he and his wife passed away, how much the equity in their house would stay ahead of what the mortgage would be clocking at. It was a really good analysis.”

It was a happy outcome on several levels. “The way the whole thing turned out was that one granddaughter is practicing here in town and the other has a dental practice in San Francisco. And those kids were so absolutely happy their grandfather did this for them that when they were established in their careers, they paid off the mortgage. And now this couple is in their advanced nineties and the mortgage is gone!”

Whatever the intended use, Chin and Weissler both stress the team approach. “Our practices are built from the communities we serve,” Weissler says. “It’s a network of clients and other professional advisors who refer and help each other with their clients. The nice thing about that arrangement is that it creates greater accountability for everyone in the relationship because there are other people who you’re going to deal with over a long term who are going to say, ‘This is a good person. I’ve worked with him or her before.’

“And that makes a big difference.”

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The New Reverse Mortgage

Understanding Mandatory Obligations

By Darryl Hicks

(With the recent implementation of changes to the HECM program, in each issue we have been looking at aspects of the New Reverse Mortgage. Here we explain the concept of Mandatory Obligations)

Background Information

An original intent of the Home Equity Conversion Mortgage program, which became law in 1987, was to help seniors in retirement supplement their Social Security benefits and have money to pay their monthly expenses over an extended period of time. It was not for borrowers to access all the equity in their home in one shot and solve one problem (i.e., paying off credit card debt) by creating another (i.e., lack of sufficient cash flow).

Large, early withdrawal was exacerbated by the introduction of fixed rate, full draw HECM loans in 2008. The inclination of a majority of borrowers was to access as much as they could right up front. Life events (health issues) or current events (recession) saw some borrowers zip through their home equity. Some discovered they no longer could afford to pay their property taxes and/or their homeowners’ insurance policies, which caused their loans to go into technical default. Others simply chose not to fulfill these financial obligations.

With the passage of the Reverse Mortgage Stabilization Act, which President Obama signed in August 2013, the Secretary of Housing and Urban Development was given the authority to make swift changes by mortgagee letter in order to improve the fiscal safety of borrowers and try to direct the program back towards its original intent.

On September 3, 2013, FHA published Mortgagee Letter 2013-27, which introduced the concept of placing limitations on initial loan disbursements by tying upfront draws to mandatory obligations.

What Is a Mandatory Obligation?

“A mandatory obligation is a fee or charge that is customarily paid off through the funding of a reverse mortgage,” says Crystall Shaw, a corporate trainer at Generation Mortgage Company, headquartered in Atlanta, GA. Mandatory obligations determine the percentage of the Principal Limit a consumer can access at closing. Some obligations are classified as mandatory, while others are not.

HUD’s first published mandatory list included any liens on the property, the initial mortgage insurance premium, origination fee, counseling fee, funds for repairs that must be completed prior to closing and any delinquent federal debt (secured and unsecured). State debt is not considered a mandatory obligation.

In response to additional questions raised by NRMLA and the industry in response to the initial list of mandatory obligations, FHA published a second mortgagee letter on September 25 (ML 2013-33), which expanded the list of mandatory obligations to include repair set-asides, property taxes, flood and hazard insurance premiums paid prior to closing and property taxes and insurance premiums paid during the first 12 months after closing.

Credit card debt and other forms of unsecured debt, even secured debt that is not tied to the subject property, are not considered mandatory obligations.

Initial Disbursement Limitations

FHA concluded from its research that a HECM has a higher probability of going into default when all, or a substantial portion of the equity, is drawn down at closing — which ultimately led to elimination of the Fixed Standard Option product. (This conclusion has been reconfirmed by an Ohio State research team as reported on page 18.)

As a result, ML 2013-27 limits the amount of funds a borrower can access at closing to 60% of the principal limit.
or mandatory obligations plus 10% of the borrower’s principal limit, whichever is greater. Therefore, if mandatory obligations exceed the 60% threshold, a HECM can pay them off and the borrower may still have the option to access an additional 10% of the principal limit. However, there are ramifications to consider.

“One of the reasons why we need to understand mandatory obligations,” Dan Hultquist, Director of Training at Generation Mortgage Company, explains, “is that they have a direct impact on what borrowers are charged for their initial Mortgage Insurance Premium (MIP).”

**Two Upfront Premiums**

When the recent HECM program changes were made, the FHA maintained the annual MIP at 1.25% of the outstanding loan balance, but a new upfront premium structure was created that is based on the amount of principal limit accessed at closing.

If the amount of mandatory obligations and other discretionary funds taken at closing does not exceed 60% of the principal limit, the borrower pays an annual mortgage insurance premium equal to 0.5% of the maximum claim amount (MCA).

However, if the amount is greater than 60%, the IMIP charge climbs to 2.5% of MCA.

To help visualize the impact of the new premium structure, we are going to use a fictional borrower with a $200,000 home and a principal limit of $100,000. In this example, the borrower cannot access more than $60,000 during the initial 12 months after closing.

Figure 1 shows that as long as the mandatory obligations are less than or equal to $60,000, the amount of MIP paid by the borrower will be $1000 ($200,000 home value multiplied by 0.5%). If, however, mandatory obligations are greater than $60,000, then the same consumer pays $5,000 ($200,000 home value multiplied by 2.5%).

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According to Hultquist, if someone is over the 60% threshold by a small amount, they do have the option to bring cash to the closing table. By doing so, the borrower brings the level of mandatory obligations below the threshold and potentially saves thousands in upfront MIP costs.

Where it can get a little tricky is when mandatory obligations fall between 50% and 60% of the principal limit. In Figure 2, the same borrower with the $200,000 home and $100,000 principal limit has mandatory obligations of $55,000. He can take an additional 10 percent of the principal limit ($10,000), but that would place him over the 60% threshold, triggering higher IMIP charges.

This scenario raises serious ethical considerations. Last year, NRMLA published Ethics Advisory Opinion 2013-4, which reminded members that they must treat consumers in a manner that is fair and reasonable and they must offer products and services that provide a “bona fide advantage.”

In Figure 2, the borrower can access an additional $10,000, but he will pay $5,000 in MIP to get it. Or, he can decide to restrict access to a lesser amount – $5,000 – and he will only pay $1,000 in MIP.

The Advisory Opinion reminds members that they must carefully explain to their clients the amounts of initial MIP that they will owe to FHA, so that a reasonable decision can be made on what is best for them.
The True Cost of a Reverse Mortgage

WHEN PEOPLE SPEAK OF THE “COSTS” OF A reverse mortgage, they are usually referring to the fees and the Mortgage Insurance Premium. But true “cost” is much more involved than that.

True cost should be viewed in terms of your goal to be financially independent, stay in your home, and have peace of mind about your financial future. Here are the most important “cost” issues to consider.

Cost compared to a traditional mortgage

Obtaining a conventional loan is less expensive than most reverse mortgage loans. The exact calculation is based on many factors, but a rough rule of thumb is for a $300,000 home the cost of a reverse mortgage will be about $9,000, compared to about $4,000 for a traditional mortgage. But the out of pocket costs are about the same for both types of loans, and the $5,000 difference is added to the loan amount, not required up front.

The extra cost pays for the federally guaranteed advantages of never making a mortgage payment for the rest of your life, a guaranteed equity line that grows, a monthly check for life, or the ability to receive tax free cash, to name just a few benefits. Another advantage: many homeowners would not qualify for a traditional bank loan, while a reverse mortgage has more lenient qualification guidelines.

Cost to move

Many people don’t factor in the cost of moving. There is the Realtor commission of up to 6%, needed home improvements, paying a moving company, getting rid of personal belongings, and the emotional cost of downsizing.

Selling a $300,000 house can cost over $30,000. And where will you live? Can you afford to pay rent? Even moving in with relatives is seldom free. A reverse mortgage gives you the option to afford to stay in your own home and remain financially independent.

Cost of indecision

This can be the biggest challenge for seniors contemplating a reverse mortgage. Putting off a decision only makes it more expensive. New guidelines are scheduled to be issued that will reduce the number of people who will qualify for a reverse mortgage. Just as important, the interest rates on reverse mortgages are at an all-time low. When they increase you will get less money. There is nothing more frustrating than saying, “I should have gotten a reverse mortgage when I had the chance!” Regret can be haunting.

Cost of Misinformation

Our loved ones and trusted advisors have our best interests at heart. But when it comes to reverse mortgages, more often than not the advice being given is based on what they overheard – not the facts. Not everyone should get a reverse mortgage. But everyone should understand the pros and cons in order to make their decision. The key is to get the whole story from a qualified reverse mortgage professional.
WHAT DO A REVERSE MORTGAGE AND A SOUL MATE have in common?

Several things, potentially, including helping you live life to the fullest. For Phillip “Steve” Heaston of Nashville, Tennessee, the answer is that the acquisition of both involved a long search and plenty of “due diligence.”

“I’m the kind of person who studies things a long time before I act on them,” he explains.

The retired home remodeling contractor and landscape designer found Elizabeth, the love of his life, three years ago on Match.com, but only after “twelve years of searching.”

“I was particular,” he adds with dignified understatement.

Likewise with seeking a HECM: “I studied the reverse mortgage for several years before I acted on it. It was one of those things that sounded too good to be true, so I wanted to make double sure I had covered all my bases.”

Before the Heastons married two years ago, Steve already had a reverse mortgage. “But my house was quite a bit distant

*Borrower Chronicles continued on page 29*
from where we wanted to live together and Elizabeth’s house was a small condo and we wanted to live in a free-standing house.” That was when they decided on a new HECM for Purchase.

“We sold both of our houses and built a new one together and used the reverse mortgage to build the house, which I actually find the most advantageous way to use a reverse mortgage.”

Steve was well prepared for the task, having recently retired from his third career. After an undergraduate degree in English Literature, he came to Music City for a graduate degree in science, and from there to college and high school teaching. The next calling was as the academic dean for a prep school, after which contracting seemed like a logical move.

“My grandfather was a master carpenter who started teaching me when I was five. My uncle was a contractor, so I had a really solid background in these fields. I was always doing a remodeling project for somebody during Christmas and summer vacations as a way to make extra money. So it was really easy for me to make the transition. I just started doing it full time.”

Along with his remodeling firm, Steve set up a landscaping company, employing a skill that came just as naturally. “Landscaping is a field where there are a lot of people who don't really know what they're doing. They don’t know plants – I call them ‘undertakers’; they just put stuff in the ground. So if you know a little about design and know about the plants you’re working with and their needs, you can do right well. Since so many don’t know what they're doing, people are excited when they find someone who does.”

Elizabeth, a Nashville native, was an executive assistant to a prominent health care executive. When he passed away about ten years ago, his wife and son asked her to stay on to help them manage the family estate. She now classifies herself as semiretired. Both she and Steve have grown daughters of about the same age from previous marriages who live in the area and visit frequently.

After all those years of searching for the perfect mate, one might wonder how he knew he’d finally found Ms. Right. “It’s just one of those things that you know when you’ve found it and you know when you have it,” Steve declares. “I had been through so many meetings when I knew almost immediately that that was not going to be the person I would spend the rest of my life with. So when I met Elizabeth, it was one of those magic-happens-at-the-very-first-moment. It’s so easy for us to be together. We’re very compatible and have the same interests, and it just worked.”

Among those shared interests are physical activity and exercise, gardening, art, houses and travel, all of which fit into their current lifestyle.

“We just got back from Italy. I had been saving air miles for decades and had a huge fund of them, knowing that one day I would find this person and we would take the trip of a lifetime that I had always dreamt of.” They visited Rome, Florence and Venice. “And emotionally, we’re still not back!”

When they undertook the building of their house, Steve heeded the advice given to doctors about not treating themselves and lawyers not having themselves as clients. “I did not serve as my own general contractor,” he explains. “Generally, I think that’s a bad idea. So we found a contractor who was willing to let me do a good bit of the work. I thought that was just the best way to go.”

The strategy for their home together was as well planned and ordered as every other decision in his life. And the key-stone of that strategy was HECM for Purchase, which let them fulfill their vision. “If one is going to leave a home as part of an estate to surviving children, a reverse mortgage is not the way to do it, because it makes your house equity go down. But in every other way, the reverse mortgage is just the very best thing to do, especially building a home with one because it gives you so much more leverage.

“If you’re building a home with a reverse mortgage, and you’re not worried about that money becoming a part of your estate, then you can build a much bigger house, a much nicer house that you otherwise could.”

The home in which Elizabeth and Steve now live very much reflects their personal style, taste and preference. It was also, in some ways, the culmination of his professional career. “I was able to design and build a good bit of it. Having worked as a contractor for twenty-five years, I knew exactly what I wanted. I had done so many things in houses for other people and had never gotten to do it for myself. So when we designed and built this house, I was able to put all of my knowledge, talent and experience into it.

“And the reverse mortgage enabled us to do that. We would not have been able to do it otherwise.”
Morrell Joins RMF as Director of Sales Logistics

Reverse Mortgage Funding LLC has announced that it has hired Larissa Morrell as its Director of Sales Logistics. In this role, she will build efficient processes and foster collaborative communications to help the sales team successfully execute its robust and aggressive strategy.

Prior to joining Reverse Mortgage Funding, Morrell was Vice President of Retail Business Development for Security 1 Lending. Before that, she was Senior Business Procedures Consultant at MetLife Bank. Prior to that, she was an Assistant Vice President at EverBank Reverse Mortgage.

LRES Names Nunez As VP of Valuations

LRES, a national provider of residential and commercial valuations and asset management for the mortgage, banking, credit union and real estate industries, announced Selene Nunez has been named Vice President of Valuations.

Nunez previously served as LRES’ Director of Valuations where she provided leadership in staffing, training and employee relations. Prior to this she served as the company’s Assistant Director of BPO, charged with meeting production and turn-around targets of property valuations to customers.

FirstBank Announces Hiring of Robert “Bob” Totten in CT

FirstBank has brought in Bob Totten in Connecticut as their latest HECM Specialist to join in its Northeast expansion. He will be covering all of CT and RI in addition to activities in other states.

Totten specializes in difficult cases and works continually with the State of Connecticut’s Department of Aging, along with local municipalities in helping their seniors. Focusing also on condominium loans and their approvals in different localities, Bob brings a specialty not offered by many companies.

ReverseVision Announces New Reverse Mortgage Learning Center

ReverseVision, Inc. announced the launch of RV University™ (RVU), an online education platform created to teach mortgage professionals about the reverse mortgage industry. Many of RVU’s courses are approved for Continuing Education credits by the Nationwide Mortgage Licensing System (NMLS) and the National Reverse Mortgage Lenders Association for its Certified Reverse Mortgage Professional (CRMP) designation.

RVU’s premier course is Reverse Mortgage Fundamentals™, a two-hour class that educates participants on the key laws and principles that comprise the HECM program. Reverse mortgage professionals looking to brush up on the newest changes and sharpen their understanding of complex topics will appreciate the course’s simplicity, while forward mortgage professionals looking to break into the reverse space will find the material comprehensible and thorough.

Profiles of NRMLA Member Companies

Celine

Celine’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 Celine. Visit celink.com for a full Corporate Overview.

Ryan LaRose, President & COO: ryan@celink.com • (517) 321-5491

Generation Mortgage Company

Generation Mortgage Company is a fully accredited, full-service home equity conversion mortgage provider, offering a complete range of competitive FHA-insured home equity conversion mortgage products.

At Generation, we are dedicated to the conversion mortgage industry and have been leading the way with a progressive view of the value of utilizing home equity and the liquidity it can provide. We are helping people discover a new perspective on funding the future.

We put our experience and deep knowledge to use with total support from sales and origination through servicing. We have more than 34,000 loans in servicing, with a total portfolio of over $5.7 billion. It is not just our deep experience in the industry that sets us apart. Our responsive and knowledgeable customer service team is ready to provide top-notch service, nationwide.

Generation has developed the tools needed to help plan strategies for optimal use of home equity. Our patent-pending nu62™ software is the only financial tool of its kind that can quickly and easily demonstrate the power of using untapped home equity to create additional cash flow or future options to support a better retirement.

For more information about Generation and the services we offer, contact Nancy Armour at 877-741-9071, or nancy.armour@generationmortgage.com.
Liberty Home Equity Solutions

For nearly a decade, Liberty Home Equity Solutions, Inc. (formerly known as Genworth Financial Home Equity Access, Inc.) has been committed to helping seniors gain financial independence and security through Home Equity Conversion Mortgages (HECMs).

Based in Sacramento, California, Liberty is one of the nation’s largest and most experienced lenders, focusing exclusively on providing HECM loans to senior clients and wholesale business partners. We have helped change the lives of over 25,000 clients since 2003 while providing education and lending solutions to over 1,000 business partners across the U.S.

www.libertyhomeequity.com
For career opportunities call (916) 384-1853
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LRES

LRES is a national provider of property valuation and REO management services for the real estate, capital market and finance industries. LRES, which specializes in helping clients effectively manage compliance and financial risks associated with valuation matters, is the preeminent valuations provider for the Reverse Mortgage industry. LRES delivers high-quality products, backed by peerless customer service while serving as the business partner of choice. The company has experienced significant year-over-year growth, regardless of market conditions, thanks to an experienced staff, advanced technology, solid business planning and efficient operations.

714-872-5813 • www.LRES.com • Marketing@LRES.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

Reverse Vision

ReverseVision is a leading technology company in the reverse mortgage industry. 10,000 users in 1,000 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

Take Charge America

For 25 years, Take Charge America has been committed to helping people around the country improve their financial futures. Since introducing HECM Counseling in 2010, we have assisted thousands of senior homeowners review their loan options and understand the reverse mortgage loan process. We take pride in providing education and resources to each and every homeowner.

We are HUD-approved to provide reverse mortgage, pre-purchase and foreclosure prevention counseling. Additional services include credit counseling, student loan counseling and debt management. Since 1987, we have helped more than 1.6 million consumers nationwide manage personal finances and debts.

Counseling may be conducted in person or over the phone.

Contact: Jack Foster
Phone Number: 1-866-750-9618
Email: jfoster@takechargeamerica.org
Website: www.takechargeamerica.org

Urban Financial of America (UFA)

Urban Financial of America (formerly Urban Financial Group) is a retail and wholesale lender specializing in reverse mortgages, and ranks among the top originators in the United States. UFA is licensed in most states and Puerto Rico. Our company acts as a direct originator and 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.

Retail: www.ufareverse.com
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Career Opportunities: (888) 622-2073 or recruiting@ufareverse.com
Wholesale Division: Sherry Apany, Managing Director, satpanay@ufareverse.com or 855-77-URBAN
New Reverse Mortgage Campaign
Pilot Cities

<table>
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<th>Population</th>
<th>Median Home Prices</th>
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<tr>
<td>Philadelphia</td>
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Milken Institute Best Cities for Seniors

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Median Home Prices

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NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

2014 Annual Meeting
November 10-12
Loews South Beach Hotel
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Join us at the largest annual gathering of reverse mortgage professionals

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- Earn CRMP CE Credits
- Internet-Based and Self-Paced
- Cost and Time Effective
- Consistent Training Across Staff
- Make CFPB Auditors Happy

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