

Lender Accountability for Lead Generation

Tips, Tools and Regs That You Should Know About

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November 4-6, 2013
New Orleans, LA

National Reverse Mortgage Lenders Association

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New Music: Changing the Reverse Mortgage Conversation

Disclaimer

This presentation is not intended to be legal advice, and should not be relied upon as such.

The information presented includes best practices based on NRMLA Ethics Advisories and local/state/federal marketing compliance rules.

Please consult your own attorney or compliance officer for advice specific to your situation.



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NRMLA Ethics Committee

The NRMLA Ethics Committee:

- Interprets the code of ethics
- Periodically issues formal interpretations
- Follows up on complaints and violations

The NRMLA Ethics Advisory Opinion 2012-1 has two main objectives:

- Define false or misleading advertising by a NRMLA member. For example, it is unethical advertising to state that there is a “no fee” or “no cost” to the senior to obtain a reverse mortgage loan.
- Ensure that NRMLA members only engage in ethical advertising.

IMPORTANT: Please forward your complaints/possible violations to NRMLA’s Ethics Committee at ethics@nrmlaonline.org, using the ethics complaint form located at www.nrmlaonline.org. NRMLA and the Committee will review and, as appropriate, conduct an investigation. It is important that we self-police the industry to preserve our reputation.



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Commitment to Ethical Advertising

Legal, Ethical and Moral Boundaries

Companies vary in what they're comfortable saying to customers – the balance between messaging and driving results are interpreted many ways. The reality is that direct lenders, brokers and lead generators all have the same responsibility when it comes to ethical marketing.

The NRMLA Ethics Advisory Opinion 2012-1 outlines tactics to avoid. Use their list of the “Dirty Dozen” to ensure your marketing remains compliant, and always have a legal representative review all materials.



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NRMLA “Dirty Dozen”

NRMLA Ethics Advisory Opinion 2012-1

1. Advertising a HECM loan as a “government loan” or “benefit,” or the lender’s loan as HUD or AARP “approved.”
2. Stating that a failure to respond may result in the loss of a consumer benefit to which he or she is entitled..
3. Advertising exaggerated or misleading benefits (“We pay off your loan”) without describing risks.
4. Advertising celebrity testimonials or endorsements without describing the paid arrangement.
5. Stating the customer must purchase another product, such as an annuity, to obtain a HECM.
6. Advertising to a business partner a higher than normal compensation from the consumer’s loan proceeds in exchange for its business, even if this is disclosed to the customer in timely fashion.
7. Using terms without accurate and prominent explanations: “no cost,” “no fee,” “no risk,” “no payments.”
8. Advertising celebrity testimonials or endorsements that do not reflect their honest opinions or experiences.
9. Advertising that consumers are “pre-approved” or “pre-qualified” without disclosing conditions to qualify.
10. Misleading the customer to believe he or she will miss a limited opportunity by not promptly responding.
11. Use of simulated checks or currency in advertising.
12. Use of HUD or FHA logos or names in advertising.

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CFPB Overview

Highlights of the Vendor Management Requirements

Bill Trask, Security 1 Lending



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Vendor Management Requirements

- Managing lead providers is a part of an overall vendor management program
 - Wholesale lenders are responsible for their third party originators
- Consumer Financial Protection Bureau's objective for vendor oversight
 - Limit the potential for statutory or regulatory violations and related consumer harm and to ensure that relationships do not present unwarranted risks to consumers



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Service Providers: CFPB Bulletin 2013-13

- Responsibilities of lenders
 - Conduct thorough due diligence and verify that the service provider understands and is capable of complying with federal consumer financial laws
 - Request and review service providers policies, procedures, internal controls, and training materials to ensure that the service provider conducts appropriate training and oversight of its employees
 - Include in the contract with the service provider clear expectations about compliance, as well as enforceable consequences for violating any compliance-related responsibilities
 - Establish internal controls and on-going monitoring
 - Take prompt action to correct any identified problems, including terminating the relationship



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Service Providers: CFPB Bulletin 2013-13 (cont'd)

- Bureau has authority to supervise and enforce federal consumer financial law against service providers
- Contract provisions
 - Representations and warranties by the service provider
 - Knows and understands its obligations
 - Maintains adequate policies, procedures, internal controls in connection with the services provided
 - Maintains training program for its employees
 - Right to audit service provider
 - Reasonable access
 - Access to documentation
 - Termination rights for failure to meet performance or compliance standards



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The Lead Generator

Understanding the
Roles & Responsibilities

Jean Noble, Urban Financial Group



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Lead Generators and State Licensing

Refer to [NRMLA Ethics Advisory Opinion 2009-2](#).

Many states require that lead generators collecting information be licensed as “Mortgage Brokers,” including:

- **Arizona:** A company is engaged in licensable activity if it directly or indirectly provides consulting or advisory services. State cited a number of mortgage lenders for purchasing leads from unlicensed lead generators.
- **Virginia:** Any person who refers an individual seeking a loan to a lender or lenders is engaged in the business of a mortgage broker.
- **Others include:** California (under its Real Estate Law), Connecticut, Georgia, Idaho, Indiana, Maryland, Missouri, Ohio, Utah and Washington.

Note: Consult your attorneys or compliance team with regards to specific interpretations of these regulations.



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The Lead Generator's Role

A Lead Generator assists in identifying consumers who may be considering or interested in a reverse mortgage loan - **that's all!**

3 red flags that you must be aware of before you purchase:

1. **“Qualified Lead” Issue:** Unlicensed lead generators cannot inform consumers that they are or are not eligible.
2. **Consumer Privacy & Permission:** Many companies claim they gather enough information to be considered a “mini-app.” Make sure they are not collecting any non-public data, and that they obtain consumer permission to share information with a third party (you).
3. **“HOT” Live Transfers:** Purchasing leads from an unlicensed entity that speaks to the consumer can be risky. Make sure you properly review their operating procedures, including their script

Question to ask yourself...Is the Lead Generator crossing the line from “marketer” to “junior originator?”



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Live Call Transfer Leads

Carefully interview lead providers to ensure they are not going to misrepresent your organization.

Questions you should ask include:

- Are you licensed?
- Can I listen to a call?
- Do you record your calls?
- Are you qualifying the lead?
- May I have a copy of your script for compliance review?
- Where are the leads being harvested?



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Lead Generator Compensation

The cost of leads must be fair and measurable, and relate to the cost of obtaining the lead only. In addition, these costs:

- Must be the fair market rate of the costs affiliated with harvesting the lead, such as:
 - Cost of TV advertising
 - Web advertising costs
 - Call center / telemarketing costs
- Can change by market, as certain markets are more expensive to advertise based on household demographics and other factors.
- Cannot be tied to a closing ratio.
- Cannot be paid on loans funded.
- Cannot be paid based on appraised value.

TIP: Ask yourself, how much would this cost if you did it yourself?



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Shopping for a Lead Provider

Tips for Vetting Out Lead Providers



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Interview Checklist

Questions you should ask a potential new vendor:

- Does messaging comply with industry standards (reference Dirty Dozen)?
- As part of the consumer pitch, are there any other products or services being offered?
 - Be ware of the upsell – it will impact lead conversions
 - Make sure it is not a bundled offer with other financial products
 - Consumer is clearly in the know of what the offer is
- Is the consumer aware that their information will be shared with third parties?
- If you are purchasing non-exclusive leads, is the consumer aware that multiple lenders may be contacting them?
- What type of consumer information is being gathered?



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Review Advertisements & Marketing

- An essential step in the process is to review any and all consumer facing materials
- Take review seriously – it is an extension of your own efforts
- Follow the Dirty Dozen

The following is a statement from NRMLA:

“NRMLA Members may not engage in conduct that violates the NRMLA Code of Ethics, including but not limited to ***providing Lead Generation services, either directly or indirectly through Lead Generation Providers that do not themselves comply with the provisions of law and of the NRMLA Code of Ethics applicable to them.***”

Your business is responsible for the actions of lead generators. You need to carefully select the vendors that you choose to business with.



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Campaign Messaging

Lead Generator should avoid using “scare tactics” in their messaging. Research shows that well-balanced discussions of product features elicit a positive response from customers, and enhance your reputation.

Use a “wants-based approach” as opposed to a “needs-based approach” to address a variety of customers and how they might use the product.



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Examples of “Don’ts” to avoid

The following examples contain misleading language:

- “Get extra cash from your home without ever paying it back”
- “Eliminate mortgage payments forever!”



SENIORS
AGE 62 & UP

Get Extra Cash
from your home
without ever
paying it back!

(888) 888-888



Attention
Homeowners
Age 62 and Over!

Eliminate
Mortgage Payments
Forever!

You May
Qualify for a
Reverse Mortgage



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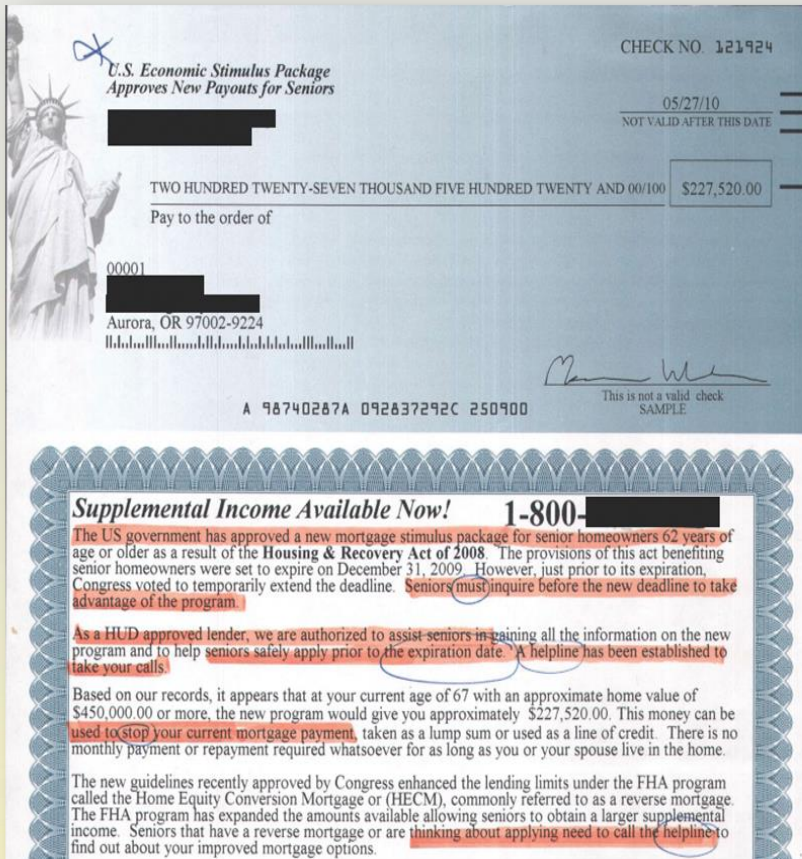
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Examples of “Don’ts” to avoid

“Don’ts”

- “The US government has approved a new mortgage stimulus package.”
- “Seniors must inquire before the new deadline to take advantage of the offer.”
- “...apply prior to the expiration date...”
- “This money can be used to stop your current mortgage program...”
- Using the word “helpline” to refer to salespersons or loan officers.



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Examples of “Don’ts” to avoid

- Don’t quote a celebrity without his or her express approval – this also applies to referencing articles that appear in mainstream publications.
- Don’t claim it is an opportunity the customer could “miss.”

the remaining equity after the loan is paid off.


Senior Helpline
1-800- [REDACTED]

Don't miss your opportunity, call today!

CNBC's Suze Orman says...

"If you're 62 years old or older, and need additional money to supplement your retirement income, please look into Reverse Mortgages. They're a good way to go!"

Source CNBC 9/30/03

 EQUAL HOUSING LENDER

Estimates based on public information as to age, home values, interest rates and FHA lending limits. Numbers in this estimate may not be exact. Existing mortgages may reduce estimate. Borrower must have sufficient equity to qualify.



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Well-Balanced Discussion of Product Features

Describe product features this way:

- Qualification is simple and easy.
- Counseling is “for your comfort and security.”
- There is no pre-payment penalty so “pay it back whenever you want.”
- Involve the family in your discussion.
- Loan repayment is “like any other loan, repaid with interest and fees.”
However, payment is not due until the homeowner leaves the property to heirs or sells the home.
- The lender does not own the home. However, the customers must maintain the property, and pay taxes and insurance, as a requirement of the reverse mortgage. If they do not, the loan becomes due and payable.



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Lender Accountability for Lead Generation

Thank You



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