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Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association



Melody Fennel



David Horne



Scott Olson



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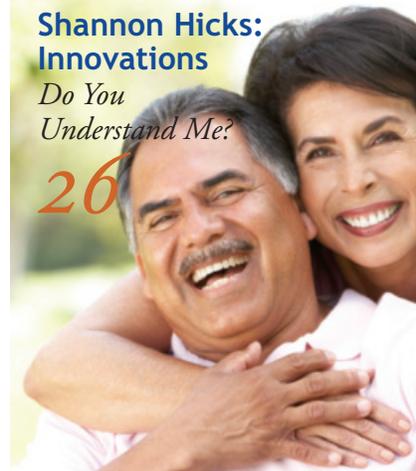
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Hill Tripping

I ASKED A CLOSE FRIEND WHO WORKS IN GOVERNMENT, "What does a lobbyist do?" "I guess run around the halls of Congress and pull on coattails," she said. I asked a number of civilian friends the same question. "Write big checks," one said. "Arrange junkets and golf dates," said another. Others referred to the television programs *Scandal* and *House of Lies*. But finally each of them confessed they did not know anything about the process of lobbying.

So in February I became Zelig to our NRMLA lobbying team, Melody Fennel, David Horne and Scott Olson, following them around while trying to stay invisible. Melody took me to lunch in the Senate Buffet where they served fried chicken and green-striped Mardi Gras cake and former Senator Trent Lott slapped me on the back like he knew me for years. (We never met.) Scott sat beside me fidgeting in a hearing of the House Financial Services Committee, the first one he attended after serving on its staff for twenty years. I found David, jaunty as always, in the reception area of the office of a Republican Senator waiting patiently for an opportunity to meet with the staff. But most significantly, I listened in on discussions as the trio worked with NRMLA staff to find the means for HUD to make necessary changes to strengthen the mortgage insurance fund that is the core of the HECM program. In "Our Advocates: An Inside Look at Lobbying" (p. 11), you can join me on that enlightening journey.

Back in the winter of 2011, you might remember we published an entire issue filled with 24 intimate stories of reverse mortgage borrowers from Maine to Hawaii. Since then we have frequently found ourselves disappointed by government agencies and the press opining on the reverse mortgage program without listening to the stories of borrowers at all.

To help fill this void, this month we begin a new regular feature, "The Borrower Chronicles," in which Sarah Hulbert shares a touching story about one of her clients. We'll be looking for a new borrower tale each issue now, so please reach out to us with your own experiences.

And while we're on borrowers, in this month's *Innovations* (p. 26), columnist Shannon Hicks looks at the multilingual counseling being provided by Debthelper Inc. and the need to reach out to non-English speaking homeowners to expand the market.

P.S. Mardi Gras cake? What am I missing?

Marty Bell, *Editor*

The image shows a collage of reverse mortgage related materials. On the left is a white document titled "NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION PLEDGE TO REVERSE MORTGAGE BORROWERS" with a section titled "Should My Mom and Dad Get a Reverse Mortgage?". In the center is a photograph of a family (a man, a woman, and two children) smiling. On the right is a blue document titled "BORROW WITH CONFIDENCE YOUR ROAD MAP TO A REVERSE MORTGAGE". At the bottom right is a circular logo with the text "BORROW WITH CONFIDENCE NRMLA SINCE 1997". At the bottom of the collage is the text "TO LEARN MORE, GO TO reversemortgage.org".

Scribes

Meet This Month's Contributors

Lew Sichelman

We are delighted this month to have our first contribution from well-known reporter Lew Sichelman. Lew has been covering the housing and mortgage markets for more years than he cares to remember, starting as real estate editor at the long defunct *Washington Daily News* and *Washington Star* newspapers and finishing with a three-decade stint with *National Mortgage News*. His weekly consumer column, *The Housing Scene*, is syndicated to newspapers throughout the country.



Lew Sichelman

Sarah Hulbert

(The Borrower Chronicles, p. xx)

Sarah Hulbert is currently the Retail Business Development Manager for 1st Reverse Mortgage USA, a division of Cherry Creek Mortgage Co, Inc. Before joining 1st Reverse, she was Senior Vice President of Reverse Mortgages for Seattle Mortgage Company. Prior to that she was owner and CEO of Senior Financial Corp., a Washington state broker licensed in 6 states and Senior Vice President and Director of Wholesale for EverBank Reverse Mortgage LLC (eventually acquired by Met Life). Sarah has been an active member of the National Reverse Mortgage Lenders Association ("NRMLA") Board of Directors since 2000, serving as co-chairperson from 2003 to 2006 and as chairwoman ex-officio since January 2007. Additionally, she currently serves as co-chair of NRMLA's Standards and Ethics Committee and is a member of the Mortgage Bankers Association's Reverse Mortgage Executive Task Force.



Sarah Hulbert



Mary Smith

Mary Smith is Director of Marketing for Liberty Home Equity Solutions, formerly Genworth Financial Home Equity Access, Inc. She joined Genworth in 2010 and leads marketing and communications teams across its retail and wholesale business channels. Mary spent 18 years with Ford Motor Credit Company where she had the opportunity to build effective marketing campaigns and brand communications for auto financing, leasing, mortgage, insurance, and credit card products in the US and Latin America. She has an MBA from the University of Notre Dame and a BS from Loyola University of Chicago.



Mary Smith

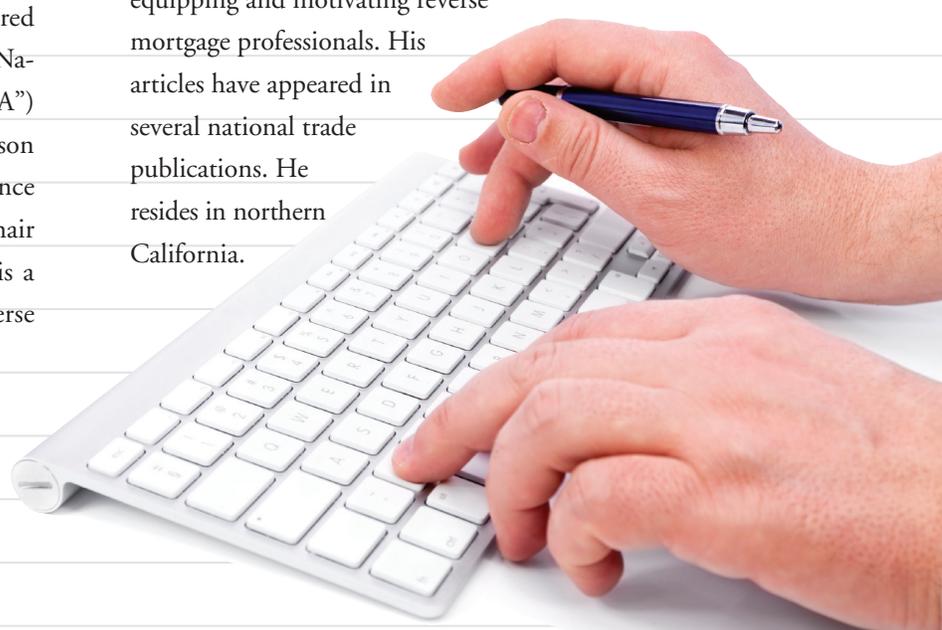


Shannon Hicks

Shannon Hicks is the Vice President of Product Development at Reverse Focus (formerly Reverse Fortunes), a training and technology provider for the reverse mortgage industry. He hosts the nation's only weekly podcast Reverse Focus Weekly and the video shows "Industry Leader Update" and "Friday's Food for Thought". Shannon's passion is training, equipping and motivating reverse mortgage professionals. His articles have appeared in several national trade publications. He resides in northern California.



Shannon Hicks



Good Books

By Peter Bell, President of NRMLA

(The following is an excerpt from Peter Bell's testimony before the Senate Banking, Housing and Urban Affairs committee on February 28th:)

THERE IS CONCERN ABOUT THE OVERALL HEALTH of FHA's Mutual Mortgage Insurance Fund (MMIF), of which HECM is a part. In the invitation to testify at today's hearing, the Committee has asked if the current state of FHA is due to the unprecedented decline in the housing market or if the mission of FHA is flawed?

Clearly, to us, FHA is fulfilling a mission that is necessary and useful in helping older Americans remain in and maintain their homes. Aging in place is the most cost effective alternative for many households. HECM is a critical resource for helping seniors do so.

The financial challenges the program faces are directly a result of the decline in the housing market over the past few years. The major factor creating stress on the program is the diminution of housing values from 2009 through part of 2012. Because HECM loans rely on the future value of the home for repayment, diminished values have an even more severe impact on reverse mortgages than on other types or mortgage loans.

The earlier books of business under the HECM program, loans made from 1990 thru 1996, essentially paid-off successfully before home values crashed in 2009. The books of business originated from 1997 through 2008, had all been projected to perform in an actuarially sound manner and only became a challenge as a result of the unforeseen collapse in the housing markets. Because these loans were made with lower loan limits and expected interest rates that were higher than the actual rates in recent years, as home price appreciation improves, many of these loans will get back on track. In fact, earlier this week,

Standard & Poor's reported that home prices in January 2013 increased 6.8% from January 2012, a significant improvement from the forecast utilized in the FHA actuarial assessment conducted last June. In Phoenix, a particularly troubled market, prices are up 23% in the past year; Atlanta is up 9.9%; Detroit is up 13.6%.



Peter Bell

The loss severity of the 2010 and 2011 books of business has been moderated somewhat by cuts in the Principal Limit Factors (loan to value calculations) and increased Mortgage Insurance Premiums mentioned earlier in this testimony. The improved outlook for home price appreciation will have a strong positive impact on these portfolios.

The 2012 and 2013 books of business were assessed to have a positive economic value in the recent actuarial review. Furthermore, FHA has adjusted its expectation of future home price appreciation for these newer loans, utilizing a more conservative estimate of 2% per annum (in the 2013 book), rather than the 4% that had been utilized historically, further enhancing the expectation of positive performance for these portfolios.

That leaves the problematic portfolio of loans originated in 2009, when home values were at their peak, and before FHA cut the Principal Limit Factors and raised the Mortgage Insurance Premiums for the later books. However, with stronger performance in the housing markets and the improvements we are witnessing in home price appreciation, plus the vastly improved outlook for newer loans, we believe FHA has the opportunity to "earn" its way out of the negative estimate of economic value for the 2009 HECM portfolio, particularly if given the tools necessary to properly manage its risks going forward. **RM**



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The Borrower Chronicles

Why We're In Reverse By Sarah Hulbert, 1st Reverse Mortgage USA

JOHN MOSELY SPENT THAT DAY AS HE WAS SPENDING most days now – busing tables, mopping floors and doing other janitorial work at McDonald's. When he arrived at his home in South Portland that evening, he ached so badly from standing on his feet all day and from arthritis that he literally crawled on his hands and knees around the house he shared with his wife Betty. You see, John Mosely was 75 years old.

John (a made up name to protect the client's privacy) had retired and was spending his days in the 3 bedroom, 1 bath, 1100 square foot home he and Betty had lived in since they married and started their family 50 years earlier. But Betty and John found they could not afford their mortgage payment, their living expenses and their medical expenses solely on their Social Security income. So John felt his only option was to go back to work, and the job he found was at the local McDonald's.

At about the same time, I was working as Western Regional Manager for Unity Mortgage in Portland. One day, I read a story in the *Oregonian* about a couple who were suffering from illness and a lack of funds necessary to preserve their quality of life and so resorted to committing suicide. In response, I wrote a Letter to the Editor expressing the tremendous sadness I felt reading the story because this couple might have made a very different decision if they were familiar with the option they, as homeowners, had with the availability of the FHA HECM program.

The day the Letter to the Editor was published my phone rang off the hook – something that was particularly surprising because the newspaper only used my name and company name (no phone number) when they published the letter. I received 76 phone calls that first day, and con-

tinued to hear from folks for many months following the date it was published.

John Mosely ran across my Letter to the Editor and tracked me down, looking to learn more about how a reverse mortgage might work for him and his wife. I met with them shortly thereafter to walk them through the details, then they proceeded to obtain their counseling certificate and completed the application the following week. Their reverse mortgage closed about 8 weeks later (turn times were quite slow back in those days, so this was considered a very speedy turnaround). The proceeds of the reverse mortgage were used to pay off their existing mortgage (freeing up monthly cash flow by eliminating monthly mortgage payments). They also were able to pay off the outstanding medical bills and leave a little nest-egg in a line of credit for future use. The day I met with them to sign the closing documents was so rewarding – both John and Betty had expressions of utter glee as I guided them through the documents. I explained the three day rescission period and told them the loan would fund on the fourth business day. We exchanged hugs and parted ways.

I have always done my best to stay in touch with my clients, and make sure I call them once I receive confirmation their loans have funded. In this case, though, the Moseley's beat me to it. The day the loan funded I received a call from John – he had received confirmation from the settlement agent that their reverse mortgage had funded and the payoff on their mortgage was on its way to the lender. John was so excited I could hardly understand him at first, but then I finally could decipher what he was saying: this wonderful man was calling me to let me know he had just quit his job at McDonalds. **RM**



Last of the Originals

George Lopez, James B. Nutter & Co. By Darryl Hicks

IT HAS BEEN ALMOST 25 YEARS SINCE THE FEDERAL Housing Administration held a national lottery to select 50 lenders from 267 applicants to participate in a reverse mortgage demonstration program designed to help elderly homeowners tap private home equity to finance retirement needs.

After all this time, there are a few of the original loan officers and support staff who are still involved in the HECM program, but only one company—James B. Nutter & Company, based in Kansas City, MO.

The company is named for James B. Nutter, Sr., who fought in World War II, came home and used the GI bill to attend college. In 1951, he started James B. Nutter & Company and built it into one of the largest privately-owned mortgage banking firms in America. The company is credited with making the first HECM to 79-year old Marjorie Mason of Fairway, KS on October 19, 1989. Since then, J.B. Nutter has originated or acquired over 35,000 reverse mortgages and currently services a portfolio of 30,000 loans.

Around the time that Ms. Mason was getting her reverse mortgage, Nutter hired a cadre of new loan officers. Among them was current NRMLA Co-Chairman George Lopez.

Lopez has held a number of positions within the company during his tenure. He is currently Executive Vice President where he serves as Chief Compliance Officer and helps manages Investor Relations. Lopez has played an active role in the association since 2006. He was elected to the NRMLA Board of Directors in 2008 and was elected Co-Chair for the 2013 term. He has been especially vocal in his support for improving the HECM program, such as increasing the number of loss mitigation options for HECM borrowers who are having trouble meeting their mandatory obligations.

Reverse Mortgage magazine sat down with Lopez to discuss his company's long-term commitment to the business and his priorities for the next 12 months.



George Lopez

Reverse Mortgage: *What can you tell us about the very first HECM borrower, Ms. Mason?*

George Lopez: Everyone at Nutter will tell you that you couldn't have asked for a better person to work with. She was very nice, well-organized and her home and yard were immaculate. She wanted to remain in her home, but like a lot of seniors, she needed money to pay her living expenses.

She selected the tenure payment option, which provided her with a fixed amount each month. She used the reverse mortgage to supplement her income, pay her taxes and to travel every so often. She didn't view the reverse mortgage as a government handout or a form of charity. This was her private equity that she was putting to good use. Unfortunately, she passed away in 1994.

RM: *What has kept J.B. Nutter in the reverse mortgage business all these years?*

GL: First and foremost, it's a belief in the need for a program to help seniors age in place. The need is undeniable and has become even more pronounced over the past four to five years. Secondly, we have a strong belief in FHA and what FHA is doing to serve first-time homebuyers and

Talking Heads continued on page 9

Talking Heads continued from page 8

other underserved segments of the population who need help and the reverse mortgage is a perfect example.

RM: *You played a very important role helping to educate Senator Claire McCaskill about reverse mortgages. Please tell us about those experiences.*

GL: It was an eye-opening experience. My understanding is that Senator McCaskill's mother had received a reverse mortgage solicitation in the mail that was not very well received. It caused her to ask questions about the program. I was invited, along with several other people, to testify at a hearing convened in December 2007 by the Senate Special Committee on Aging, which Senator McCaskill was a member, to discuss reverse mortgages generally, but also how they were being marketed. The position we took at the hearing was that the marketing tactics being discussed occurred on the fringes of the industry and were not standard operating procedures by the industry at-large. I explained that the lion's share of lenders were doing a responsible and credible job of marketing the product and serving seniors.

RM: *As the current Co-Chair of NRMLA, what do you hope to accomplish for the association and its members in 2013?*

GL: In the short-term, I am interested in helping NRMLA assist HUD in finding ways to improve the HECM program. There have been many discussions on policy options, but I think HUD and the industry are now focused on what needs to be done, particularly in reducing risk to the insurance fund, but also improving the program with respect to helping seniors take care of their tax and insurance obligations.

In the long-term, I want to help NRMLA direct the reverse mortgage product into the world of retirement products. In other words, I believe reverse mortgages have a place in the financial planning toolbox, but in order to have that discussion, the reverse mortgage has to be properly positioned. To do that, it has to be perceived not as a mortgage product per se, but as a retirement planning product. The term "reverse mortgage" is a vague and ambiguous term. In my opinion, I think it's a retirement mortgage. In fact, I think that is what it should be named as a first step toward positioning the product as one of several financial planning options in a retirement planning toolkit.

I am also strongly behind improving the reverse mortgage industry's image. Our industry has been the victim of an unfair amount of bad publicity. Some of the negative coverage has been deserved, but those bad actors are typically not NRMLA members. Unfortunately, a lot of times when you're put under a media microscope, there's more negative publicity than accurate reporting. I think our industry needs more advocates and champions who can tell the true stories about the thousands of seniors we are helping. I think this product saves lives and ensures the happiness of thousands of seniors.

RM: *What do you think needs to happen to change the public's perception of reverse mortgages as a retirement planning tool?*

GL: We need to do a better job of educating. A loan originator's first priority with this product, more so than with other mortgage products, is educating the consumer. We not only need to educate our customers, we need to continue educating the financial planning community, which is beginning to embrace reverse mortgages. The academic research and articles published in financial publications has been quite positive. NRMLA and our industry are doing a better job of informing the financial planning community, but when the financial planners of the world fully understand this product that is when the business is really going to take off.

RM: *Are you at all worried about FHA's decision to eliminate fixed rate Standard HECMs beginning on April 1?*

GL: We are not worried about this change. We think some of these changes are needed, particularly with respect to helping HUD strengthen the mortgage insurance fund. It may change the origination side of the business a little, but the more important changes that HUD is working on, be it financial assessments or loss mitigation tools to help borrowers pay their taxes and insurance, those represent more important changes that can really improve the long-term health of the program.

RM: *Is your company looking to implement any significant changes to your business model in 2013, such as expanding wholesale or retail channels, or applying to become a HMBS issuer?*

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Talking Heads continued from page 9

GL: We believe in the HECM product. By the same token, we think it can be improved and we want to see what those improvements look like and that will drive our involvement in the industry, whether on a wholesale or retail basis. Once we see those changes, they will help guide us.

RM: *What percentage of your business is wholesale versus retail?*

GL: Right now, it's probably 95 percent retail and 5 percent wholesale. Only four to five years ago, those numbers were exactly the opposite. We employ between 25 to 30 loan officers who focus on reverse mortgages and work out of our Kansas City headquarters.

RM: *As chief compliance officer, what do you perceive to be the biggest challenges facing the mortgage industry?*

GL: As an independent mortgage banker, with a 50-state licensing platform, we have a lot of ground to cover in the compliance area, both forward and reverse. Between that

and NRMLA, that keeps me pretty busy. The pace of change in the mortgage industry is pretty rapid right now. Whether you are talking at the state level, or the federal level, there are a lot of things that are being overhauled and completely changed, often for a second or third time. Now that we have a new regulator out there, and I'm speaking about the Consumer Financial Protection Bureau, the need to keep our compliance program aligned with CFPB is very important.

RM: *Has Mr. Nutter ever contemplated getting a reverse mortgage?*

GL: No, he has not, but he has always been a strong believer in the product. I think what won him over, and the Nutter family in general, was seeing the reaction of senior borrowers who took an application or closed in our office, some even hugging their loan officer, and then telling Mr. Nutter that this product had changed their lives for the better. Which brings us back to the fundamental point that this product is needed now more than ever. **RM**

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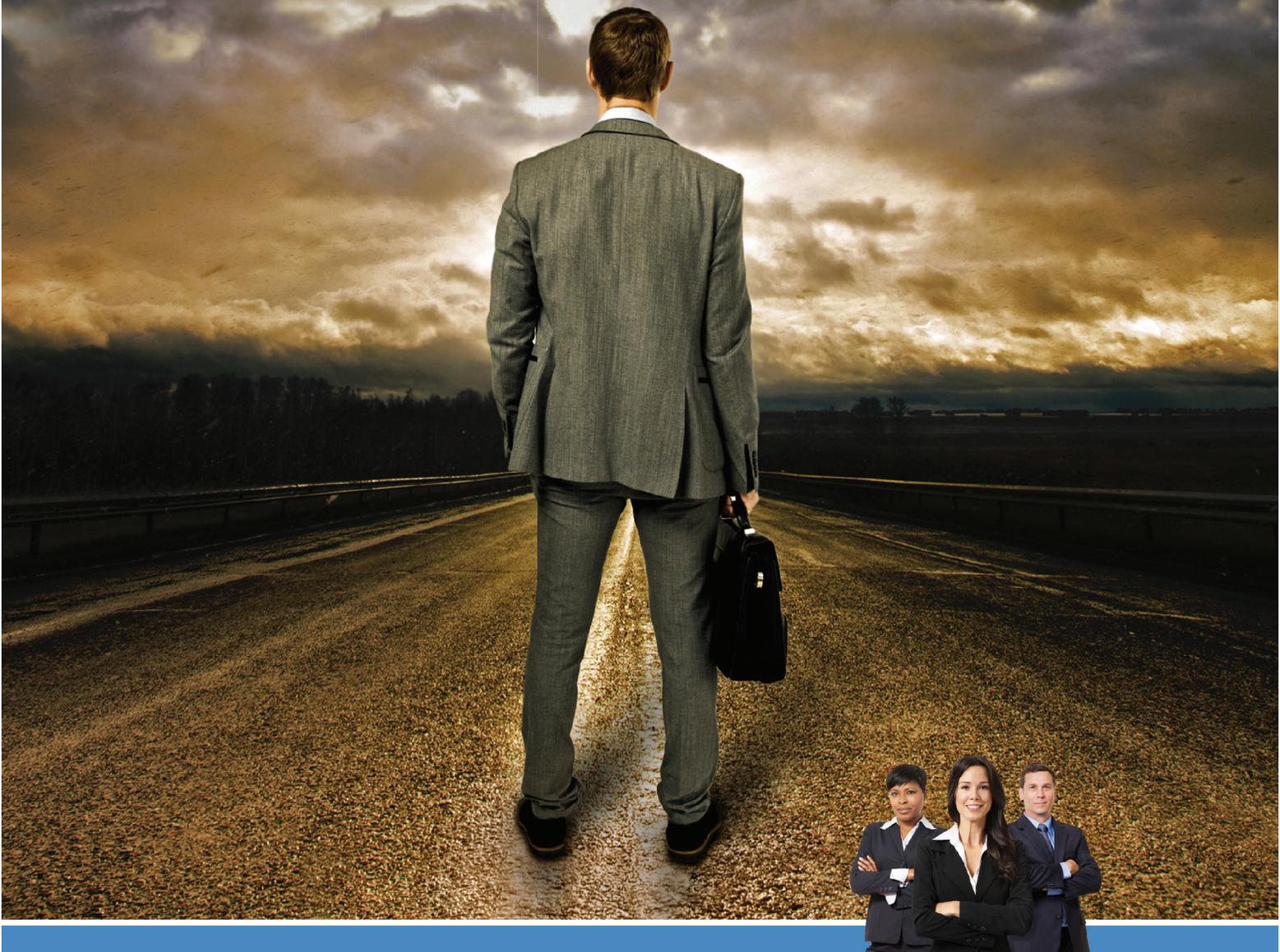
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Our Advocates

An Inside Look at Lobbying

By Marty Bell



THE WASHINGTON DOCKET IS CLUTTERED. A re-elected and confident President has launched his new term with an ambitious agenda laid out in Inaugural and State of the Union addresses. A new Congress, the 113th rendition, is trying to find its footing and define its boundaries. Debt reduction, job creation, gun restriction, education enhancement, job equality for women, citizenship for immigrants, security for seniors. A flurry of ideas for governing in a town conflicted about the role of government. And every one of the ideas has those fighting for it and those fighting against it. There are over 12,000 lobbyists in town registered as per the Lobbying Disclosure Acts of 1996 ad 2008. There are hundreds of trade groups, associations and think tanks. And all of them seem to be scurrying at the moment. Heels, low and high, click at a prestissimo pace along the hard floors of the Capitol Hill office buildings. Try to stop a Senator you know in the halls and they just slap you on the back and keep walking. Conversations take place on the run. It all feels frantic and urgent, like an ant colony. But in an ant colony, something gets done, a hill gets built. Despite the pace here, few hills get built on this Hill. There are always far more issues than bills and far more bills than laws.

Amidst this frenzy, Melody Fennel, David Horne and Scott Olson strive to get attention for HECMs. Together they form the federal legislative team for the National Reverse Mortgage Lenders Association. Their most pressing issue at this moment is legislative language that provides the Department of Housing and Urban Development authority to make program changes that protect the Mutual Mortgage Insurance fund. The release of the annual HUD audit on November 12 showed a \$2.8 billion negative economic value for a fund that by statute must be net neutral on an annual basis. In a calmer economic environment, the fact that the fund has historically been net positive might carry weight. But in the face of the current deficit-cutting, debt-reducing ruckus, that's not an argument you can lean on.

HUD knows the heat is on. An insurance fund in need of taxpayer support might be just enough of an excuse for

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Advocates continued from page 12

the deficit-obsessed to attempt to toss the whole HECM program. NRMLA staff and our “leg team” know we need to support HUD to make the fixes and eradicate any possible perception of the insurance fund as a potential burden. The actions they take provide a snapshot of the lobbying process.

Our team mobilizes to plan strategy via meetings, conference calls, and emails exchanged at machine gun pace. Melody Fennel is the passion-driven one who leads with her chin. David Horne is the charmer who leads with his smile. Scott Olson is the policy wonk who leads with caution. And Peter Bell, NRMLA President and CEO, is the amalgamator who has to meld their ideas with the viewpoint of the NRMLA membership.

Any lobbying effort begins with the questions. What is the language HUD needs? Should it be general in nature, simply providing broad authority to take action, or a specific list of the proposed fixes? Which is likelier to win Congressional support? Is the House or the Senate a likelier option for approval? What other legislation is on the table that this ask can be attached to? Are we better off putting Bell or Executive Vice President Steve Irwin in front of members of Congress on behalf of NRMLA? Or will members and staffers be more candid speaking directly to lobbyists who have Hill experience?

“Because of the size of the program, our issues are never the meat of a bill,” says David Horne. “Our path to passage is to attach our issue to others.”



David Horne

An approach is agreed upon. It is determined this Senate will more likely be open to what HUD wants than this House where the new leadership of the Financial Services Committee has already questioned government involvement in housing of any kind. “Getting through the din of opposition to and red ink from the FHA today is a Herculean effort,” says Horne. “Republicans are frustrated by the omnipresent government involvement in housing. The HUD audit headline showed a possible \$2.8 billion shortfall. That makes everything a challenge.”

“There’s a negative down draft from overall FHA issues,” says Scott Olson. “There was an unprecedented drop in home prices caused by problems in the pool of loans made when values were higher. Even though loans going forward look

safer, we need to make changes to pay for sins of the past.”

Making the future of the HECM program palatable to would-be opponents depends on three arguments, according to Horne: seniors in need, bipartisanship and no cost to taxpayers.

In the Senate, this legislation must originate in the Housing, Transportation and Community Development Subcommittee of the Banking, Housing and Urban Development Committee. Previously, in the downtime between vital issues, when you have a chance to “improve general understanding and build an understructure of support,” according to Olson, NRMLA established a dialogue with subcommittee chair Robert Menendez (D-NJ) and his staff about the HECM program. There were a series of educational meetings both with the Senator and with his staff. That background work can now prove to be an asset.



Scott Olson

“Last year, we started to meet with selected Democrats to gauge support,” Fennel says. “Then an election took place.”

“There’s been a big turnover and there’s a new learning curve,” says Olson. “Most staffers have an understanding of how mortgage loans work, but not HECMs. We need to do a lot of new education.”

But this isn’t a time for education. Things are too fluid. It may just be hurry-up-and-wait time. But you can’t take a chance on that. This is where relationships come into play. Olson will pursue the Democratic side, work with Menendez’s staff to see if the Senator will introduce a bill, knowing it will eventually most likely need to be attached to other legislation. At the same time, Horne and Fennel will search for Republican support to demonstrate bipartisanship. A list of members and their staffs is combed. Calls are made to try to get immediate appointments. There may not be time to waste here. One legislative option on which to attach HUD’s language is a Continuing Resolution or CR. With no annual appropriation in place, the government continues to operate on a CR, a stopgap measure used



Melody Fennel

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when appropriators are unable to complete their work. The current CR runs out in late March and must be renewed before then. But Congress is going on a week long recess around President's Day and when they return they'll have limited time to pass the new CR.

Plan in place, the lobbying team takes to the Hill.

"Someone asked me recently if I minded being called a lobbyist," Melody Fennel says. "They thought I might prefer the term consultant. The Right to Petition Our Government is a freedom we should all cherish and be thankful for. So please call me a lobbyist."

Lobbying is a game of persuasion and lobbyists are the intermediaries between their clients and lawmakers. The federal government is a credit enhancer, it is the maker of laws, and the writer and enforcer of rules and regulations. The lobbyist works to get clients the financial support they need, as well as the laws, rules and regulations that best enable clients to conduct business. But first and foremost what they must strive for is attention to themselves and their issues amidst the clutter in a city where everyone has an issue.

There is some debate about where the term lobbyist first came from: it was either inspired by an anteroom adjacent to the British House of Commons where advocates gathered to influence members of Parliament or by the lobby of the Willard Hotel, around the corner from the White House, where advocates bought cocktails for officials of President Lincoln's administration. (And where you can still imbibe with officials of the current administration – but you can no longer pay for their drinks!)

So when you represent a small industry that this year may conduct only about 50,000 transactions (which means, if you wanted to, you could gather all this year's borrowers at once for a seminar or Ben's Chili and beers at Nationals Park), how do you get the attention your clients need?

"I had an old boss who said lobbying was all about the Cs," says Melody. "Clout, credibility, consistency, charisma, content, context and compassion."

"Lobbying is not about contacts," says Scott Olson. "It is about relationships."

One of the pet axioms of Washington wisdom is that when you hire a lobbyist you are renting their roll-a-dex. But effective lobbying requires more than contacts or acquaintances, who are the people we've met; it requires peo-

ple with whom we've developed a mutual trust. The pieces that are moved around the lobbying game board are information. Honest and thorough information is not something generally shared with acquaintances, especially in an environment where information is power.

"You need to have the kind of relationship with a staffer where they know when you're going to be on their side and they know when you are not," says David Horne. "That builds the trust so they can tell you when their member is going to be on your side and when they are not."

"When you talk to a staffer, you don't only tell them who supports what you are proposing, but also who opposes it so they are not surprised," says Melody Fennel.

You probably have read about high-flying lobbying firms who have their names on well-located buildings in the district and both earn and toss around seven figure checks. But most effective lobbying is really about one-on-one conversations between people who feel they can depend on the veracity of what they share with each other. Rather than glamour, lobbying is mostly boots on the ground hard work. What's exchanged is information. What Fennel, Horne and Olson offer is substantial background experience in the issues that concern us and the enduring relationships their accomplished careers have produced.

As a child growing up in Kensington, Maryland on the DC border with her mom, a freelance writer, and her brother, an aspiring politician, Melody witnessed with sadness as neighbors gave up their homes in tough economic times in the 70s. It made her realize that anyone can be vulnerable. After graduating from Vassar where she majored in political science and played field hockey, taking the American U. Summer-in-Washington program to learn the ropes, she began her career as a housing advocate working for the National Council of State Housing Agencies, then served a stint in the government affairs office at the National Association of Home Builders. By 1995, she had moved on to Capitol Hill, where she worked for Senate Banking Committee Chair Alphonse D'Amato (R-NY) as staffer for the Banking, Housing and Urban Affairs subcommittee. In this capacity, as she began speaking to older women about reverse mortgages, many expressed fear of losing their homes without one. Fennel felt a shock of recognition. She empathized with the women's anxiety, which led directly to her becoming a passionate proponent

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of the HECM Program.

While working for D'Amato, she found herself interacting with – and sometimes at loggerheads with – the staff of the Senator's fellow New Yorker, Congressman Rick Lazio (R-NY). Among those staffers was David Horne, who served as senior counsel for the House Housing subcommittee and also as Lazio's Chief of Staff. Horne had grown up in Wheeling, West Virginia, where his father ran a woman's retail clothing business. He was interested in politics even in grammar school, handing out flyers for County School Bond passage before the age of 7. On weekends, Horne would help out at his father's store where he learned the value of a strong work ethic. He also learned to abide by his father's creed, "The customer's always right," which would become useful for a lobbyist. Seeing how hard his father worked for six and a half days a week, David found himself impressed by small business owners such as his dad who had everything at risk. "And that's when I became a Republican," Horne says.

Horne studied government at Cornell, interned on Capitol Hill, graduated from Georgetown Law, then went to work at Gibson, Dunn & Crutcher's Los Angeles office as a bankruptcy law associate. There a partner emphasized that "You always win in bankruptcy court when you disclose everything," he told Horne.

But Horne missed Washington and grabbed at the chance to return. After Lazio lost the New York Senatorial election to Hillary Clinton in 2000, Horne hung out a shingle to begin his own lobbying practice, (only taking a hiatus from his own business in 2008 to serve as Chief of Staff to HUD Secretary Steve Preston and the George W. Bush Administration). At about the same time that Horne went on his own, Fennel was hanging out her own shingle. Despite past differences in their Hill jobs – though never personal – they found they shared uniquely comprehensive backgrounds in housing policy, both having worked in Congress, for committees and at HUD. They also shared an approach to lobbying strategy with each other and with Peter Bell, whom they had met during their stints in government.

"Peter understands relationship building," Fennel says. "When I was Assistant Secretary for Congressional and Government Affairs at HUD, I remember he would come in all the time, without specific issues, just to discuss the progress of the program and the industry."

"We have learned that the most effective approach is targeted advocacy," Bell says. "You educate whenever you can. But when you have an issue that needs attention, it's not always useful to run around and try to get everyone on your side. If you can win over the committee chairs and ranking members and their staffs, you have the best chance of accomplishing what you need."

Among the committee staffers with whom Bell and his legislative team conducted an ongoing dialogue was Scott Olson, who spent almost 20 years working for several Congressmen on the House Financial Services Committee, the last nine as staff for Representative Barney Frank (D-MA), four of them during which Frank served as chair and Olson as Housing Policy Director. During that time, Olson wrote much of the FHA legislation, including raising HECM loan limits and changing program requirements.

Olson grew up in Wauwatosa, Wisconsin, the son of a history professor at the University of Wisconsin/Milwaukee, where politics was usually the focus of dinner conversation. He attended UCLA, took a semester off to join his brother who was working on Capitol Hill for their home district Congressman Clem Zablocki, finished both undergrad at Stanford and then a Masters at UCLA and worked on a campaign for a House candidate who lost in the 1981 Reagan landslide. Discouraged by the election results, he headed to San Francisco where he worked in finance and real estate, but, like Horne, missed being out of the action 3000 miles across the country. Upon relocating, he served time under Congressmen Bill Orton, Joseph Kennedy, Jr. and John LaFalce, a Democrat from Western New York, who was the ranking member of the Financial Services Committee until his retirement in 2003. It was therefore a natural transition for Scott to join the staff of new ranking member Barney Frank, who became Committee chairman as Democrats won the House majority in 2006 until Republicans won it back in 2010.

Frank was usually the single staunchest advocate on the floor for government supported housing for the less fortunate and a vocal proponent of reverse mortgages. But when the Republicans regained the House Majority in 2011, Olson decided to hang out his own shingle and continue to pursue the issues that were important to him, including reverse mortgages. And Bell saw the opportunity to add the nine-year committee staffer to his team as a chance to bring

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Optimal Changes

HUD's Charles Coulter Looks to Strengthen the MMI

By Lew Sichelman

MORE CHANGES ARE AFOOT FOR THE POPULAR – BUT TROUBLED

– federally-insured home equity conversion mortgage.

The Obama Administration has already placed a moratorium on the standard fixed-rate, full-draw HECM. And now, one way or another – either by gaining Congressional approval to make the changes quickly by Mortgagee Letter or by the more involved rule-making process – it plans to restructure the Federal Housing Administration-backed HECM product even further.

The focus will be on four main elements:

- Capping the amount borrowers can take in proceeds at the time the loan is closed.
- Evaluating the borrower's ability to meet his other obligations to the property.
- Setting aside enough money so there are sufficient funds available to cover taxes and insurance payments.
- Addressing the issue of non-borrowing spouses who are not signers to the loan because they have yet to meet the 62-year-old age requirement threshold.

Whether reverse mortgage specialists think the changes are warranted or not – and the HECM pros we talked with tend to believe they are justified at least in part – the good news is that the Administration is out front in its thinking. So however they evolve, they should come as a surprise to no one.

The changes are “very important” to the liquidity of the program, says Reza Jahangiri, chief executive officer of Orange, Calif.-based lender American Advisors Group, who is “very supportive” of set-asides for taxes and insurance.

“We definitely need to address the T&I issue,” agrees Jim Cory, CEO of Legacy Reverse Mortgage, a San Diego brokerage, who also believes “some kind of financial assessment” needs to be taken of potential borrowers.

It's not that these and other HECM specialists don't have concerns about the changes. They do. “My concern is that if we layer on too many changes at once,” says broker Cory, “it could have a pretty severe effect on the program overall.”

Researcher John Lunde, president of Reverse Market Insight in Mission Viejo, Calif., agrees. Though specific changes may be desirable, he warns, together “they have the potential to do more harm than good.”

Clearly, though, the President's housing team thinks the surgery is worth the pain. The latest actuarial review of the HECM program



Charles Coulter

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“shows substantial stress,” FHA Commissioner Carol Galante told the House Financial Services Committee in mid-February. She added: “Material changes” are necessary “to ensure the long-term viability of the HECM program.”

In an interview with *Reverse Mortgage*, Charles Coulter, Deputy Assistant Secretary for Single-Family Housing at the Department of Housing and Urban Development, used the term “structural” to describe the changes. And he said that if they are not made, HUD will be forced “to make other, less optimal changes” in fiscal year 2013.

HUD hopes that Congress fast-tracks the changes, not by law, but by giving the HUD Secretary the additional authority necessary to restructure the HECM program. Absent that, Coulter said, HUD would go through the lengthy rule-making process, which would take 18 months at a minimum. That “is too long,” he said of the latter option.

“Basically what we’re doing is we’re using blunt instruments in the near term to get this program back on track financially,” he told *RM*. “But rather than continuing to go down that path, we’d much rather step back and make these structural changes that are necessary to push the program back to a sound, viable product in the long term.”

Though no specific proposals have been offered, here’s what Coulter said HUD has in mind:

- **Capping the Upfront Draw** – The amount of money seniors could take at origination would be limited to a certain percentage unless their mandatory obligations exceeded that amount. A borrower might be allowed to take only 60 percent of the available proceeds, for example. But if he needed more to pay his mortgage and outstanding bills, he might be able to withdraw more of the permissible proceeds.

“Basically,” said Coulter, “it’s ensuring that there is a financial need for the cash at the time the loan is closed. If there is not, then this provides that the borrower will have some equity left to tap into later in his life.”

- **Financial Assessment** – Lenders would underwrite borrowers to determine their financial capabilities. Do they have enough money to both sustain their living expenses as well as to pay their property taxes, homeowners insurance and maintain their properties? What is the source of their cash?

“Today, this loan program is predominantly a func-

tion of the age of the borrower and the value of the property,” Coulter said. “We’d like the program to be about those factors, but also the financial position of the borrower. If they have sufficient cash, great; but if not, then how is this program going to meet the needs of that individual over the course of his life?”

- **Escrow** – Lenders would have to be sure there is enough money set aside to pay the borrower’s taxes and insurance for some predetermined period. This could be accomplished either by setting aside some of the loan proceeds at closing – a so-called “carve-out” – or creating an escrow account into which the borrower would make monthly payments. Or by a combination of both alternatives.

As Coulter sees it, this change will work in tandem with underwriting. “If we’re highly confident from a cash flow perspective that this borrower can meet his obligations, then there may be no need for a carve-out,” he said. “If, however, we have significant concerns, then a carve-out may be one way to offset those concerns while still providing a benefit to the senior.”

- **Non-Borrowing Spouse** – HUD knows it must address this issue, but it doesn’t yet know how it wants to proceed. “I don’t have any response to you on that one,” Coulter said candidly. “We have to evaluate what our alternatives are and make sure we address this in a way that is sound both legally and from a risk tolerance point of view.”

With these structural changes, the HUD official said, a return of the standard fixed-rate HECM “is certainly possible.” But without these changes – or if HUD has to go the rule-making route – the HUD official said the “only flexibility” it has would be to adjust the HECM principal limit factors. And that would mean borrowers wouldn’t be able to net as much from their loans as they can now.

“The reason we want to make these changes is because we think they can be made while ensuring the long-term success of the program,” he said. “If we are forced to continue to make sub-optimal changes, they will have an adverse impact on the marketability of the product.

“I wouldn’t say it would ‘gut’ it, but if we continue to go down this path, it will substantially impact the number of seniors who are served by home equity conversion loans.” **RM**

Lifestages

Segmented Marketing Of Reverse Mortgages

By Mary K. Smith

WHEN IT COMES TO MARKETING REVERSE MORTGAGES, one-size does not fit all. Instead, you have to understand the segment that you are trying to reach and then develop marketing campaigns and messaging that speaks to each segment based on their needs, values, and behaviors.

Many marketers use life stage—or age—as an easy way to segment the senior market because there may be distinct generational differences between a 64-year-old Baby Boomer and his 78-year-old counterpart who is part of the Silent Generation. Different messages will resonate more with different generations.

Get to Know Your Customer

When creating messaging, start with customer analysis and data. When we asked our clients why they were con-

sidering a reverse mortgage, the top reasons they gave was that it helped them “eliminate their current mortgage and improve their cash flow.” In fact, about half of seniors from ages 62-75 said this was their primary reason for taking out a reverse mortgage.¹

Older clients primarily look at a reverse mortgage as a planning tool—for future income and emergencies—to improve the quality of their lives and to help with medical expenses.

Travel was not a primary reason for considering a reverse mortgage (1% or lower across ages). So, while travel photos may look great on marketing collateral, we don't really focus on that segment in terms of communications.

Create Needs-Based Messaging

Once you've completed your research, you can target your messaging based on where customers are in their life-

¹Liberty Home Equity Solutions f/k/a GFHEA Internal Lead and Application Profile Analysis, 10,000+ prospects, 2011-2012

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cycle and what you learn from general market research in terms of their attitudes and behaviors.

We typically group our target market into primary segments and deliver several levels of messages. Regardless of life stage, we deliver primary messaging on the reverse mortgage product. This includes benefits such as eliminating monthly mortgage payments, improving cash flow, or supplementing income.

We then deliver more specialized, needs-based messaging depending on age category:

Messaging Matrix Based on Life Stage

Life Stage	Tier 2	Tier 1
Boomer 62-65 	Regain Financial Control Rebuild Investments Deferral of Social Security	Eliminate Monthly Mortgage Payments Supplement Retirement Income Plan For Security in Retirement
66-75 	Preserve Savings/Safety Net Afford to Retire On Your Terms HELOC vs. RM, HECM Saver	
75+ 	Funds to Age in Place Medical Expenses Income for Quality of Life	

62- to 65-year olds

This group, the Baby Boomers, is more comfortable with debt than others, but really needs to take control of their finances and rebuild their savings. For this segment, we use strong, active language that is consistent with the take-charge attitude of this generation. Deferral of Social Security benefits is an example of a targeted message that is focused exclusively in this segment.

This segment is very important in terms of the long-term growth of our industry. However, in the short-term, they do present some challenges since they have the least amount of home equity and tend to be “tire kickers,” especially with respect to online leads. We have to be patient and carefully map a long-term communication plan.

66- to 75-year olds

Representing what we consider our core segment for reverse mortgages, many in this group are facing financial

challenges but are less reluctant than the Boomers to take on debt. They are also concerned about building up savings. Generally speaking, this group has less of a sense of urgency in taking out a reverse mortgage than those in their late 70s.

In terms of messaging, we position a reverse mortgage as a financial-planning tool and as a means to plan for security. We include talking points around preserving savings and affording to retire on your own terms (for those who may feel that they have to work past 70). Because this segment has more home equity than their younger counterparts, they are good candidates for or may already have home equity loans. So this is a great segment for product-specific comparison messages. So we often send comparison sheets with real examples of a HELOC vs. a HECM and have received good response rates. This group is internet-savvy, so while we are doing a lot to reach more seniors in this segment, we can do a lot more.

Over 75-year olds

The over 75 segment primarily uses a reverse mortgage to improve the quality of their lives. Messaging focuses on life needs (e.g. aging in place, medical expenses, additional monthly income). We focus on tenure payment examples when we market via mail to this group, which tends to be the best segment in terms of mail responders.

Find the Right Placement

Life stage also plays an important role in our placement approach. Depending on age, we target different media strategies. For Boomers, we focus more heavily on internet “pull” marketing.

Older segments tend to watch a lot of TV, so it can be a great way to reach audiences over 65.

Mail is a great way to reach the oldest senior segment and it also gives us the ability to do the most segmentation and targeted messaging capabilities. For seniors in their 60s and 70s, it’s also important to reach their financial influencers, such as financial planners. Indirect marketing can be very effective here.

Regardless of the life stage, when it comes to placement, it’s important to focus on a multi-channel approach.

Placement Matrix Based on Life Stage

Life Stage	Media Channels
Boomer 62-65	Internet (incl. Social Media) TV – Targeted Media Targeted Mail
66-75	TV, Local Print/Newspapers Targeted Mail Internet (incl. targeted E-mail) B2B (e.g. Planners, Realtors)
75+	TV – Game shows, News, Soaps Mail (target & influencers) Local/Community Influencers Internet

Nurture Your Non-Converters

In addition to lifestyle segmentation, it's important to segment consumers by one more dimension—their personal interaction with you as a company. We do a lot of nurture marketing including weekly drips, both email and direct mail, on leads that did not turn into applications.² For these communications, we first segment based on the reason for non-conversion and then overlay age-specific messaging.

We deliver very focused communications for a long time period to address their objections and concerns. For those who respond that they are “just curious about reverse mortgages”, we might send them a copy of our educational video. We get great reengagement from this type of drip. For

In addition to lifestyle segmentation, it's important to segment consumers by one more dimension—their personal interaction with you as a company.

people who don't need the money right away, we may send messaging around using a reverse mortgage to “preserve wealth”. For the skeptics, testimonials, news articles, and collateral addressing myths and realities may work well. No matter what your strategy or message, it is important to nurture the “non-converters”.



Broaden the Reach

Certainly the growth of the Boomer segment presents a great opportunity to capture new consumers and grow the industry longer term. And we'll certainly continue to refine our campaigns to better reach this segment. Online marketing is definitely where we can reach Boomers quickly and cost efficiently.

We also need to look beyond the Boomers, though, to the seniors who may have a need for a reverse mortgage but may not be actively searching for one or being reached by traditional media. Based on Nielson data, the mature market is made up of over 20 million households who own homes. It segments the market into five groups based on income, education, and behavioral characteristics.³ Today, reverse mortgages are being offered primarily to one segment, which is considered the “needs-based” segment. Boomers account for less than 30% of this overall mature market, meaning we don't have to wait for them to come of age. We have a great opportunity to go after a much larger portion of the 65 and over households that may not currently be targeted as effectively as possible.

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² Data based on Liberty Home Equity Solutions internal analysis of over 10,000 non-converted leads 2011-2012. Reasons for Non Taking Out an Application.

³ Nielson Segment Explorer (Liberty Home Equity Solutions Analysis Using Nielson Data) <http://www.claritas.com/MyBestSegments/Default.jsp>

How Do We Expand -- Boomers & Beyond?

	Nielson P\$YCLE Segmentation Profiling (Mature Market)				
	Financial Elite	Wealthy Achievers	Upscale Empty Nesters	Mid-Scale Matures	Retirement Blues
HH Income	\$118,000	\$80,000	\$66,000	\$46,000	\$33,000
Boomers %	50%+	45%	29%	38%	<5%
Households	5.0 M	6.8M	5.5M	9.6M	6.5 M

Reverse Mortgage Market Potential = 20M+ House Holds

Source: Nielson Segment Explorer (Liberty Analysis Using Nielson Data) -- <http://www.claritas.com/MyBestSegments/Default.jsp>
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To expand into this segment, we have to get smarter in how we segment and how we message our product. We have to begin to talk more about a HECM as a smart alternative to a home equity loan and incorporate the HECM into the financial considerations of an overall retirement plan. According to Nielson, there are over 3 mil-

lion consumers in a segment that is open and active in home equity lending. Why not promote the HECM Saver as a great alternative?

Finally, as we look to broaden our reach to wealthier, more educated seniors, we'll need to earn the endorsement and trust of their financial advisors who they rely upon heavily for financial decisions.

Going direct to consumers won't be enough for this segment. That's why we're very excited at Liberty about the work that we are doing to help drive more research from academics and greater conversation around reverse mortgages as a retirement planning vehicle that has appeal across all senior segments. **RM**

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Member News

United States Appraisals Names Senior Chief Appraiser

United States Appraisals, a nationwide appraisal management company, announced that **Richard Garrie** has been named Chief Appraiser. Richard has over seventeen years of residential valuation experience, including eight years as a branch manager for Forsythe Appraisals, LLC.

“Our rapid expansion and future growth plans created the need for additional leadership for our review appraisers and another industry veteran for our senior management team. Richard has a great background in team building and provides us with a wealth of knowledge in appraisal quality and compliance,” says company president **Aaron Fowler**.

In addition to Richard's experience at Forsythe Appraisals, he spent seven years as a senior appraiser with Ritter Appraisals, was a staff appraiser in the Cass County MO Assessor's Office and briefly operated his own appraisal company. Richard was the first appraiser in the country certified to produce the Collateral Valuation Report (CVR™) and is a certified CVR instructor.

Network Funding Hires Wilson to Manage Reverse Mortgage Call Center

Network Funding hired former Urban Financial Group manager **Rob Wilson** to run the company's retail sales center following the launch of its reverse mortgage national sales center in Royersford, Pennsylvania. The hire supports a national expansion effort by Network Funding to ramp up its presence in the reverse mortgage market.

“The launch of our reverse mortgage consumer direct call center team with someone of Rob's talents further strengthens our ability to expand into the reverse mortgage space and meet our aggressive growth strategy,” said **Nancy Pedone**, national sales manager for Network Funding's reverse mortgage division. “Rob's extensive reverse mortgage experience along with his outstanding sales and leadership ability will greatly benefit our growing reverse mortgage division.”

Wilson brings 22 years of mortgage experience to the company including oversight of Urban's Philadelphia-based call center. The company is looking forward to growth in the space upon the call center's opening and staffing to support its growth efforts. **RM**

Talk with HECM Borrowers

By Atare Agbamu

TALKING WITH REVERSE-MORTGAGE BORROWERS IS a rich and vital experience that could give reverse mortgage regulators and originators valuable insights and perspective into the human dimension of their businesses.

English novelist E. M. Forster once asked: “How can I tell what I think till I see what I say?” For regulators and originators, we rephrase Forster: “How do you know what reverse mortgage borrowers think and feel until you listen and hear what they say?”

If there was a flaw in an otherwise good report on reverse mortgages the Consumer Finance Protection Bureau sent Congress last June, it was the baffling absence of actual borrowers’ input. The report did reflect borrower “concerns” gleaned by proxy from reverse-mortgage counselors and some consumer advocates. Given the study’s billing as an “authoritative” guide and its significant policy implications, borrower “concerns” by proxy is inadequate.

The CFPB can and should conduct a national study to gauge actual borrower experience and attitudes about reverse mortgages and the lenders who make them. Such study could help regulators and originators understand the younger borrowers that have come into the market in recent years.

In 2006, when AARP wanted to understand borrowers’ experience with reverse mortgages, it commissioned a national study which came up with conclusions and findings that still inform discussions about these loans today.

From that study, for example, we learned that, in sharp contrast with media stories and misperceptions, about 94 percent of actual borrowers say reverse mortgages have

given them peace of mind, 93 percent expressed satisfaction with their lenders, and 89 percent say they would recommend a reverse mortgage to a friend.

And here is a most interesting finding from that study: “Even homeowners who did not become borrowers gave lenders positive ratings: 75 percent were satisfied, of whom 47 percent were very satisfied, and 28 percent somewhat satisfied.”

Understandably, not all were happy. About 9 percent of counseled prospects voiced unhappiness with lenders, but “no single reason for dissatisfaction was dominant, and none of the specific reasons given by respondents was cited by more than 17 percent of them.” If one may ask: How many financial and non-financial products and services in the world have these levels of documented consumer satisfaction? What do these exceptional levels of borrower satisfaction say about the character of the reverse-mortgage industry?

The AARP conclusions on borrower satisfaction are remarkable for another reason: The study’s sponsor is often a critic of the industry. Are there scoundrels in the reverse mortgage industry? Of course, there are, as we must expect in any human enterprise and in any industry.

In 2010, when NRMLA, the industry’s trade group, wanted to know what borrowers were thinking and feeling, it asked Marttila Strategies, a private consulting group, to do a study. The NRMLA study backed AARP conclusions on borrowers’ experiences with products and lenders four years earlier.

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The NRMLA study also flagged an important new trend: Younger borrowers flocking to reverse mortgages. In 2012, a joint study by MetLife Mature Markets Institute and the National Council on Aging (NCOA) affirmed this trend and suggested that early boomers are pouring into reverse country.

Meanwhile, research-based borrower satisfaction with reverse mortgages goes back farther than the AARP and NRMLA studies. In 2000, HUD's report to Congress found "high levels" of reverse-mortgage borrowers' satisfaction. The overall happiness rate was 4.1 on a 1 to 5 scale, 5 being the highest.

Talking with borrowers is instructive from my experience as a loan originator and writer in the field for many years. Among others, Paul Alexander (Hampstead, NH), Durfee Bedsole (Grant Pass, OR), and Pat Schrantz (Twin Cities, MN) have been some of my most valuable teachers. From Paul Alexander, who died in October 2011, I learned that a reverse mortgage is an experience, not just a product. Here is Paul's reflection from chapter fifteen of my book, **Think Reverse**:

"I think we're rich. We don't have any money, but our lives are rich. That is what the reverse mortgage has done for us. It has literally taken the shackles off our hands and allowed us to do things that we wouldn't otherwise have been able to do. Do we have a lot of money? No. But do we have richness in our lives and happiness? Beyond our wildest imagination! And most of that is due to the reverse mortgage."

From Durfee Bedsole, I learned that *parents who can take care of themselves here and now* are children's best inheritance, an intriguing idea which Durfee's story drives home.

And from Pat Schrantz, I learned that financial advisors who misunderstand reverse mortgage's role in new retirement thinking are doing their clients and themselves a disservice.

Borrowers know the essence of reverse mortgages and they have much to teach regulators and originators. That is, if they choose to talk with (and listen to) them. **RM**

rare hands-on experience into the process.

"On the committee, I always respected the NRMLA approach," Olson says. "In lobbying, there's a lot of bomb throwing. Lobbyists want to send out a lot of press releases and get a lot of attention for themselves. But that's not meaningful. It's easy to get a member of Congress to introduce a bill that's totally unrealistic. But that's a waste of everyone's time. The most effective strategy, and what NRMLA has done historically, is decide what they need, figure out what is really achievable, and determine who on the committee has the most interest."

Both Horne and Fennel share Olson's observation that the limelight is no advantage to a lobbyist. "If you're advocating, you don't need to take the credit," says Horne. "Let the other people who it helps get the credit. Ensure the members get the credit."

"When I was on the committee, the lobbyists who impressed me were the ones who came in at the right time,

when we could still help them," says Fennel. "The best ones didn't just come in with problems, they came in with two or three solutions."

Through their experiences in various parts of the government, Fennel, Horne and Olson all learned that lobbying is not all about the crises, which tend to get the news coverage and which we hear about each night from the chatterati, but a long-term, comprehensive and slow effort to build relationships, establish credibility and earn respect.

"Our country, for its own protection, was given a very slow moving legislative and regulatory process," Fennel says. "Asking Congress, or an Agency, to draft new laws or regs—or amend existing laws or regs—is never a small ask. You need to have real compassion for the cause you are advocating.

"You may meet staunch opposition initially, but climate's change. Some things take years. So you pack your



Do You Speak My Language? By Shannon Hicks

VOCÊ FALA? DO YOU SPEAK PORTUGUESE? SEEMS like an odd question for most english-speaking reverse mortgage professionals but reverse mortgages have a broad cross-cultural and international reach. While HECM counseling is the gate prospective borrowers must pass through to qualify for a reverse mortgage, language barriers can close that opportunity for many.

DebtHelper is helping break down these barriers, offering reverse mortgage counseling in Spanish, Portuguese, French and Creole. Beginning with Spanish in 2006, DebtHelper added more languages in  **DEBTHELPER.COM** 2008. These services are absolutely essential to insure non english-speaking borrowers are making an informed financial decision. In the last decade banks have made a concerted effort to reach underserved borrowers with ads in their language. Yet these efforts often fell short when no translation services were provided for disclosures and counseling. For the Home Equity Conversion Mortgage Program (HECM) to effectively grow we must effectively serve our foreign language speaking prospective borrowers in all aspects

Confusion in Every Language?

Exploring financial objectives, loan particulars and personal finances requires an in-depth and detailed conversation. Language barriers aside, financial products like reverse mortgages have their own vocabulary where confusion can abound. I experienced this first hand six years ago when I spoke with the Spanish-speaking daughter of a potential borrower on the phone and agreed upon a time for a meeting in her parent's home. I arrived just after dinner that evening and began my presentation with the daughter

translating. Four hours and two cups of coffee later, I was enlightened to the need to match prospective borrowers with loan officers and counselors fluent in their language

"We are talking about a huge life changing financial decision here, without the counseling in their own language, the probability of having these homeowners having the perfect understanding of this program is significantly reduced. There are many technical terms that make more sense in one's own language," said Claudia Fehribach, Total Quality & HECM Manager at DebtHelper.

Contract law in the United States generally provides that a person who signs a contract without knowing its contents will be bound by the terms and ignorance will not relieve them of their obligation except in cases of fraud or misrepresentation. Federal disclosures, like the Truth in Lending Act (TILA) or the Good Faith Estimate (GFE), are undermined and can be rendered useless with language barriers. Transparency in the lending process requires understanding. That transparency must be matched with advertising, counseling and disclosures in the borrower's native language.

An Unreached & Untapped Market

After years of declining loan volume due to the housing collapse, reverse mortgage lenders and loan officers are looking for creative ways to gain marketshare. Making inroads with Realtors for HECM purchase transactions and building relationships with financial planners is just the beginning. But are we overlooking an even larger market while focusing on unique applications of the HECM? By the year 2020, the Asian American population is projected to grow by 94% and the Hispanic by 111%. Our industry has a tremendous opportunity to both reach underserved

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markets while increasing our overall marketshare. When asked about the non-english speaking market Fehribach said, "It's an almost untouched market. We direct our effort to the Spanish community (which is huge), but we overlook the potential of other communities that could be taking the benefits of a HECM in their senior years."

To address this growing need DebtHelper has plans to expand counseling services for Vietnamese, Russian and Chinese. According to the agency most Portuguese counseling requests originate from Florida and New York / New Jersey and Massachusetts. In fact a new counseling center was opened in Boston to better serve the Portuguese speaking population.

Coupled with counseling is the need for more foreign speaking reverse mortgage loan officers. These uniquely skilled individuals are well suited in reaching foreign-speaking communities who may have never heard of the reverse

mortgage program. Equipped with a cultural understanding and fluency in the language these professionals would begin to serve a motivated and accepting audience.

Reverse mortgages are truly a world product. India, China, Australia and Germany all have similar programs to name a few. More importantly we have several untapped foreign speaking markets within our own borders. Bilingual reverse mortgage professionals have a tremendous opportunity to reach specific markets with little competition. The demographic trends show massive increases in non-english speaking populations, many who are homeowners. Perhaps we will see the emergence of national lenders specializing in specific non-English speaking markets bridging the gap for future borrowers. After all, success requires both identifying and meeting consumer need. Counseling agencies have begun making inroads, now it's our turn. **RM**

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lunch and you plan to go on a long hike.”

“I was taught early on in my career that one-third of the people support you, one third oppose you and one third couldn’t care less,” says Olson. “So you work with the people who support you, you try to neutralize those who oppose you, and you try to find an angle to persuade the neutrals to go your way. That angle can be finding something that they want that you can give them or that it’s not worth it politically to oppose what you are asking for.”

“You like to work with people who are closers,” says Fennel. “People who get the letters written, get the legislation passed, end the problem rather than churn the issue.”

The team also finds that lobbying in the Senate can require different approaches from lobbying the House.

“In the Senate, staffs are budgeted by population of the state,” says Fennel. “The staffs are larger and many do not have regular access to the members. The committee staffers do most of the policy work. In the House, there are smaller staffs and a lot more issues being dealt with by each staffer.”

“The House does most of the initiating on legislation,” Olson says. “They run for reelection every 24 months, so they need to be more focused on accomplishments. They get fairly quick and tangible results. But the Senate becomes the final arbiters of what the final right policy is.”

They also find the process varies with the leadership approaches of the committee chairs. “Does the leader try to run his committee by consensus or try to push through his agenda?” Olson says. “When Barney Frank was chair during the financial crisis, he needed to be aggressive and push TARP and Dodd/Frank. His replacement, Spencer Bachus was more measured. Hensarling, the new chairman, is more conservative and will be more active pushing his agenda.”

“Sometimes the result you need is to buy time to show results,” Horne says. “Right now, HUD wants to make improvements. So if they can do that, we can go back six months later and show if there’s been progress.”

As a closed-door effort for HUD to get the legislative authority they need moves forward, the public spectacle of government continues and attracts headlines. Financial Services Chair Jeb Hensarling holds a rowdy hearing in which 40 committee members from both parties grill a single witness, FHA Commissioner Carol Galante, on the insurance fund audit. Galante argues that without FHA, housing values would have dropped an additional 25 per

cent during the recession. Democrats thank the agency for saving housing. Republicans question whether the agency really has a handle on its own finances.

Two days later, HUD Deputy Assistant Secretary Charles Coulter holds a conference call for the reverse mortgage industry to explain the moratorium on fixed rate, full draw loans and preview the other changes FHA is seeking to shore up the insurance fund. (*See Coulter interview, p. 18*).

But amidst the fanfare, Fennel, Horne and Olson continue their quieter, behind the scenes, one-on-one approach to getting the right words in the right place at the opportune time. Senator Menendez agrees to drop or introduce the bill. Olson works with the Senator’s staff to draft suggested language, reviews it with Horne, Fennel, Bell and Irwin, then submits it to Menendez’ staff. In the interim, Horne and Fennel continue to roam the Hill office buildings, meeting with Republican staffers. No one dives in immediately, but they receive encouragement in a couple of different offices. They are cautiously optimistic they can find bipartisan support. Then President’s Day weekend hits and the halls of Congress empty out. Members head home and access disappears. When they return, there will be fewer days left until a new CR needs to be passed. There will be hundreds, if not thousands, of lobbyists in town bucking for the attention of the members of Congress, committee chairs and their staffs in that week. You might call it the legislative fraternity’s Hell Week. But there are few with more hands-on experience of what it takes to seal the deal than Melody Fennel, David Horne and Scott Olson.

Sitting at the House committee hearing on the FHA audit, his first since leaving his committee role, Olson whispers, “I think I’ve been in more of this committee’s hearings over the past 20 years than anyone else in this room.” When he gets home that night, he can’t help but shoot off a bunch of emails with his thoughts to current committee staffers.

“You have been lobbied by people and now you find yourself lobbying them,” says Fennel. “It just keeps spinning around and around.” **RM**

(Note: At this writing, the results of this effort for HUD to have the authority to make suggested program changes remains in process. We will continue to report on the effort as it evolves.)

Who's Who in Reverse Mortgages

Profiles of NRMLA Member Companies

American Consumer Credit Counseling

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



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E-mail: HousingGroup@consumercredit.com*

Bay Docs, Inc.

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



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*John LaRose, CEO: john@celink.com (517) 321-9002
Ryan LaRose, President & COO: ryan@celink.com
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Liberty Home Equity Solutions

Liberty Home Equity Solutions, Inc. (Liberty) formerly known as Genworth Financial Home Equity Access, Inc. is one of the nation's largest and most experienced reverse mortgage lenders. For nearly a decade, we've provided education and lending solutions to more than 1,000 business partners across the US, while helping change the lives of over 25,000 senior clients.



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Wholesale and Correspondent Production Manager

Phone: (281) 404-7970

E-mail: RRosynek@rmsnav.com

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Reverse Vision

ReverseVision is a leading technology company in the reverse mortgage industry. 10,000 users in 1000 companies rely on ReverseVision to originate reverse mortgages. Loan officers like the simplicity of ReverseVision and the powerful graphical representation of reverse mortgages.



Lenders rely on ReverseVision for RESPA compliance and use ReverseVision's reporting features to manage their operation. ReverseVision is privately owned and independent and focuses on reverse mortgages exclusively. The company is located in North Carolina and employs a team of leading software engineers and reverse mortgage specialists with a combined experience of over 50 years.

www.reversevision.com

(919) 834-0070

info@reversevision.com

Urban Financial

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



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To learn more about UFG and ReverseIt!, call 888-777-3311

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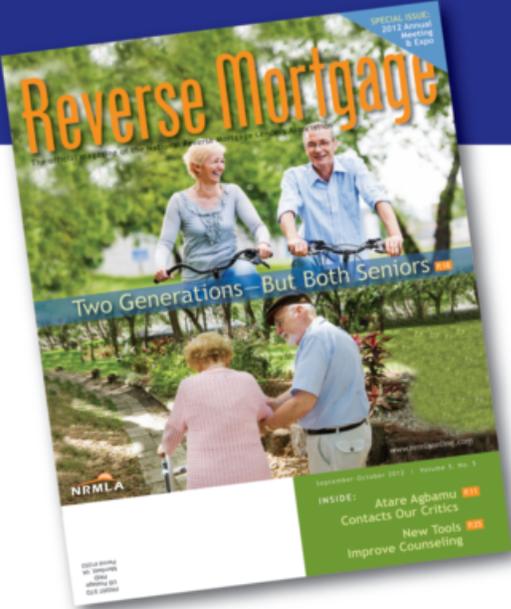
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23%

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40%

Percentage of salary SS is intended to replace



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70%

Total percentage of salary retirees hope to replace for retirement.



30%

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0

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Where Can You Get Your CRMP Continuing Education Credits?

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

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

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

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

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

Generation Mortgage Company

Reverse Mortgage 101 (1 credit)

Reverse Mortgage 201 (1 credit)

Reverse Mortgage Products (1 credit)

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

Liberty Home Equity Solutions, Inc.

Understanding Financial Advisors (1 credit)

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

Tradition Title Agency, Inc.

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

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

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

Reverse Focus

Reverse Basics (2 credits)

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

Security One Lending

HECM for Purchase (1 credit)

Reverse Mortgage Fundamentals (1 credit)

HECM to HECM Refinances (1 credit)

Assessing the Needs of Your Borrower (1 credit)

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

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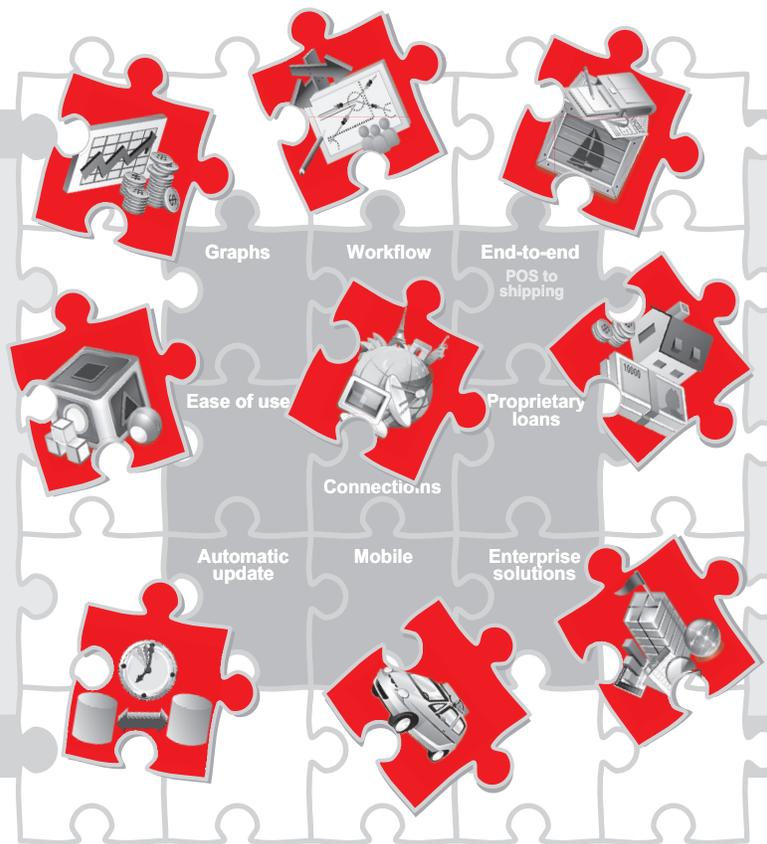


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