March-April 2016
Volume 9, No. 2

New research from OSU

Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association

Way More Than Half Full

HECM Borrower Outcomes

NRMLA

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NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

Eastern Regional Meeting and Finance & Investment Forum

April 4-5, 2016

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New York Times Square

Western Regional Meeting

May 10-11, 2016

Huntington Beach, CA

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Huntington Beach Resort & Spa

NRMLA®

March-April 2016
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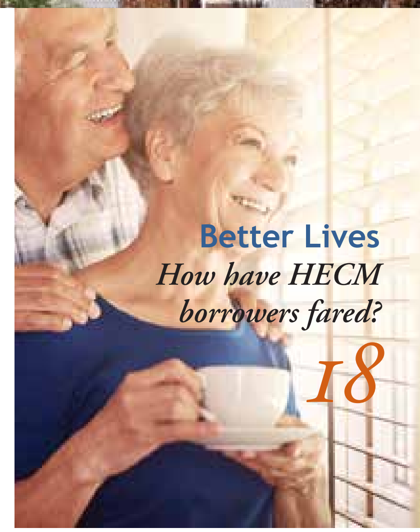

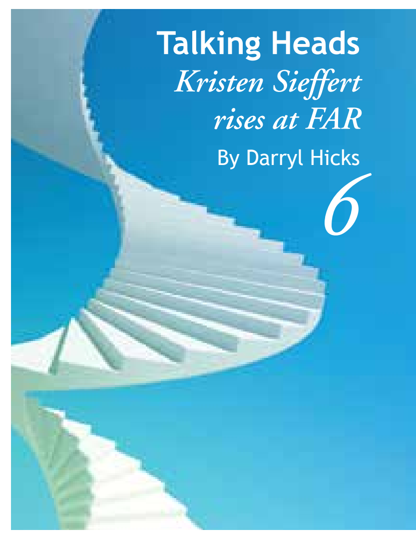

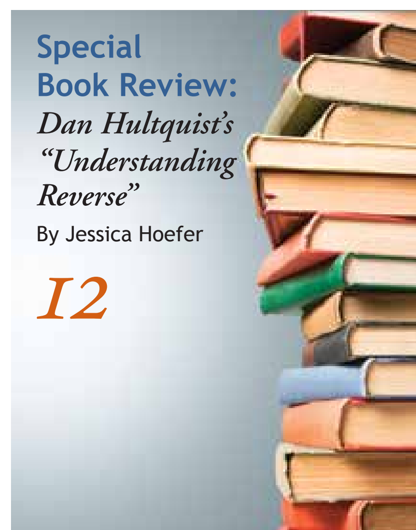

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NRMLA

Scribes

Meet This Month's Contributors

Marty Bell *(New Research: Borrower Outcomes,* p. 14*)* is the Editor of *Reverse Mortgage* Magazine and the Senior Vice President, Communications & Marketing at NRMLA.

Darryl Hicks *(Talking Heads*, p. 6*)* is the Vice President, Communications for NRMLA where he writes our Weekly Report and administers our CRMP program. He roots for the Steelers and the Phillies and reads mysteries as he rides the Metro to work each morning.

Jessica Hoefer *(Special Book Review,* p.12*)* is the Communications Coordinator for Dworbell, Inc. where she is also the Member Services Coordinator for NAIPC and assists with the publication of *Reverse Mortgage* magazine and *Tax Credit Advisor*. She came to NRMLA from the National Geographic Society. She is an avid reader, a theatre junkie, and loves to travel.

Mark Olshaker *(Borrower Chronicles*, p. 23 and *Finding Your Fix,* p. 25*)*, our staff writer, is a best-selling author of fiction and non-fiction and an accomplished researcher in the areas of crime and medicine. Olshaker has written 14 books in all, including the *New York Times* Number 1 bestseller *Mindhunters* and most recently *Law & Disorder* both with former FBI Agent John Douglas. He has also produced 12 documentary films, the latest being *Who Killed the Lindbergh Baby?* for NOVA on PBS. Olshaker is a former reporter for the *St. Louis Post-Dispatch*, who now resides in Washington and has built a large following for his MindhuntersInc.com crime blog, which argued Amanda Knox's innocence from the get go.

Joel L. Swerdlow *(Engaging with Financial Planners,* p. 21*)* is an author, researcher, professor and journalist whose work has appeared in *Harpers, Atlantic, Rolling Stone, Harvard Business Review, Washington Post*, and most major American newspapers—as well as academic and scientific journal. He covered the White House for NPR and was Associate Editor and Senior Writer for *National Geographic* Magazine. Joel's latest book with Frank Mankiewicz, *So As I Was Saying: My Somewhat Eventful Life*, is now out in bookstores.

It's the Outcomes

It's all about popular!
It's not about aptitude
It's the way you're viewed
So it's very shrewd to be
Very very popular—

Stephen Schwartz, "Popular" from *Wicked*

POPULAR HAS BECOME MUCH MORE POPULAR. A website with 1.7 billion monthly users measures success by "Likes." Political success is measured by polls rather than substantial results. And there seem to be more awards ceremonies on television than CSI knockoffs.

Anyone who tries to sell to the public has to be concerned with their business' reputation. In the age of the Internet, reputation building has become more rapid—and so has reputation destruction. We have much more access to many more people and many more people have access to us. Opinions that were once private are now public. And opinions are like noses—everyone has one.

But there can often be a difference between reputation and evaluation. Reputation is based on opinions and evaluation is based on evidence. What would seem to be most significant to a business is the evaluations of those who have utilized its product as opposed to the impressions of those who have not.

When it comes to financial products, it's all about outcomes. And so is this issue of our magazine. If reputations were based on actual outcomes, reverse mortgages would be in a much different place.

We are honored to publish the first look at outcomes to come from the comprehensive research effort being led by Stephanie Moulton, a professor at Ohio State John Glenn College of Public Affairs. (*Borrower Outcomes*, p. 14) Stephanie, along with various colleagues, has devoted five years to analyzing the HECM borrowing experience—and the results show the program has overwhelmingly fulfilled its original intent.

To accompany the research report, we have compiled a sample list of how HECMs have improved the lives of borrowers all across the country based on *Borrower Chronicles* we have published over the past six years. (*Better Lives*, p. 18) And in this month's *Borrower Chronicles*, staff writer Mark Olshaker visits with a 92-year-old woman who has sustained an active life as a result of her HECM. (p. 23)

Given all this evidence of the benefits of this financial product, one has to wonder why people, especially those who sit through counselling, do not take up HECMs. That is another topic Moulton's research touches upon and you can find the results in this month's *Numbers* feature. (p. 32)

One audience to share these outcomes with is financial advisors. Jamie Hopkins of the American College of Financial Services has been examining how reverse mortgage lenders can open the door to these folks. So we sent staff writer Joel Swerdlow out to discuss this with Jamie. (*Engaging Financial Planners*, p. 21)

I'm sure you all remember that during Bill Clinton's first campaign for President, his campaign managers, George Stephanopoulos and James Carville, placed signs all around headquarters that said, "It's the economy, stupid." When it comes to reverse mortgages, it's not the gossip that counts. Our signs should read, "It's the outcomes." We'll leave out the *stupid*. That would not be popular.

Marty Bell
Editor

Reverse Mortgage Education Week

April 18-22, 2016

How much do other professionals serving seniors know about reverse mortgages?

Do their Realtors know that buyers over 62 can finance part of their home purchase with a reverse mortgage?

Do their health care providers know that with a reverse mortgage, borrowers can use loan proceeds to pay for in-home care?

Do their financial advisors know that a reverse mortgage line of credit grows over time and can be used to protect investments from market volatility?

Do their social workers, counselors, and care managers know that reverse mortgage counseling is required for all HECM borrowers?

Do their bankers know about the benefits of adding reverse mortgages to their companies' portfolio mix?

NRMLA® NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

During the week of April 18th, NRMLA will host a series of online educational sessions to teach these professionals how reverse mortgages work and can help meet their clients' financial needs. We will address members of the American Society on Aging, the Mortgage Bankers Association, the National Association of Realtors, and more. You can help us by inviting your own professional contacts to register for the online events.

Look for an Education Week event calendar on **NRMLAonline** and check our LinkedIn Group for updates and ideas for outreach to your network.

Team Building

Announcing Reverse Mortgage Education Week

By Peter Bell, President of NRMLA

THE TERM *RETIREMENT PLANNING* HAS TRADITIONally referred to trying to accumulate enough assets to cover expenses when you are no longer working and the best strategy for drawing down on those assets. But in a world in which we are much more easily connected than in past eras and in which information is available at our fingertips, retirement planning has become a more expansive term.

In the past, assistance in planning retirement came almost exclusively from a financial advisor. But going forward, my sense is that it is going to come from a larger team. In addition to finances, comprehensive retirement planning today benefits from looking at the retiree's housing needs and options, health and wellness expectations and possibilities, access to transportation, and methods of maintaining the social engagement that brings joy to life.

With the changes to the HECM program over the past two years, the focus of conversation within our industry has become offering reverse mortgages as a viable retirement planning option. That is a valid and valuable message.

Over the years, it has often seemed as if we in the reverse mortgage industry have been alone in making our case for the benefits of tapping into home equity. But wouldn't it be to all of our advantage to expand our team, to better inform our colleagues in related businesses, who will also be involved in retirement planning, about the possibilities offered by reverse mortgages? To build a much larger and better informed field force of people who interact directly with aging adults?

Peter Bell

With this in mind, NRMLA is launching our first ever Reverse Mortgage Education Week from April 18-22. In a culture and media environment loaded with new information coming at us from so many directions, designating a specific window to focus on a specific subject has proven to be an effective method of creating awareness.

Our target audience for this first Reverse Mortgage Education Week will be those with whom we can join to form a retirement planning team. We will host educational programs for members of the American Society on Aging, the Mortgage Bankers Association, the National Association of Realtors, and others, to provide information on reverse mortgages that is relevant to the services they provide and seniors they serve.

You'll find a schedule of Education Week events on NRMLAonline along with tools that you can use to help promote our informational sessions to the professionals in your network.

Check NRMLA's LinkedIn Group for event updates and ideas for outreach to your network.

I hope you'll take some time to review these resources and encourage your professional network outside of the industry to the do the same. Everyone who works with potential reverse mortgage borrowers can be a messenger about the product; it's our job to ensure the message is a good one. RM

Kristen Sieffert Rises at Finance of America Reverse

By Darryl Hicks

PRIOR TO BECOMING PRESIDENT OF FINANCE OF America Reverse Mortgage (FAR) last fall, Kristen Sieffert had already established herself as one of the most powerful women in the reverse mortgage business.

Sieffert was fresh out of college in 2004, having graduated from UCLA with a bachelor's degree in political science, when she started working as a Wholesale Sales Representative with Irvine, CA-based Financial Freedom Senior Funding Corporation.

She had no prior job experience in business or finance, but she excelled at math – her grandfather was a high school mathematics teacher – and she was exceptionally driven. Sieffert's climb up the corporate ladder includes stints in wholesale and retail sales, underwriting and operations. In fact, it's hard to find a segment of the business she hasn't worked in – and she learned the ropes from some of the industry's brightest people, among them Sherry Apanay, who currently oversees all sales channels at FAR and reports directly to her former protégé.

By the time you read this interview Sieffert will have just delivered her second child. She was kind enough to sit down with *Reverse Mortgage* magazine to talk about her new responsibilities and her goals for 2016.

Reverse Mortgage: *Congratulations on becoming President of Finance of America Reverse. According to Reverse Market Insight, FAR was the No. 2 ranked lender overall in 2015 (1st in wholesale; 5th in retail). What are your top priorities for 2016?*

Kristen Sieffert

Kristen Sieffert: Our main priority is staying committed to our pursuit of being the best in class for all channels while maintaining our "team-centric" culture. Beyond that we have some aggressive and exciting growth plans for our retail team, which includes doubling our capacity in our Indianapolis call center, as well as moving into a much larger space in San Diego to support call center growth there, as well.

RM: *Will you be expanding your "boots on the ground" retail sales force as well?*

KS: Scott Norman oversees our field team and has done a tremendous job in assembling a talented group of originators around him. He will be growing that side of our business, but because our field business model leans more towards self-sourced originators, that process takes more time. We are very picky about the people we hire - we want sales people who are not only consistent producers but also a good match for our culture.

RM: *What attracted you to the reverse mortgage business and what keeps you going?.*

KS: I was mostly attracted to coming into a very niche industry with the zeal that someone right out of college has and seeing what I could learn and accomplish. My first

Talking Heads continued on page 8

Talking Heads continued from page 6

boss was Sherry Apanay and my first role was lender support for all wholesale accounts west of the Mississippi. The position forced me to learn the ins and outs of the industry quickly so I could provide the type of support new entrants into the industry needed. Luckily, I was learning those ins and outs from the best. The foundation I built starting in that position has been a huge asset to me as I have worked my way up through other roles. What keeps me going? I feel strongly about the concept of doing the right thing, and our current ownership has given us a unique opportunity to really have a laser focus on that, while also allowing us to provide a great working environment for our team. We are strong believers that with the right team in the right spots, we can accomplish anything – and we think we have that part of the equation dialed in.

RM: ***You changed your company name from Urban Financial of America to Finance of America Reverse last fall. Has this presented any challenges re-establishing brand recognition with potential customers?***

KS: Luckily our brand has always been rooted in excellent customer service, and the name change has had little impact there – the customer still has the same experience, which has bridged the transition between the two names well. The genesis for the name change occurred when our parent company made some strategic purchases of forward mortgage companies, which now puts us among the top non-bank mortgage originators in the nation. These operations consolidated under the name Finance of America Mortgage, and then we were named Finance of America Reverse (FAR). The holding company is devising some strategic initiatives to help build brand recognition, and we will leverage those efforts. We, also, have our own internal strategic initiatives specific to FAR that will support our brand recognition, including the launch of a new TV campaign which will be happening very soon.

RM: ***How can you build a positive corporate culture when senior management is scattered throughout the country? FAR is by no means the only company that promotes teleworking, but I'd like your thoughts on how it works.***

KS: We believe very strongly in constant and clear communication and maintaining a high level of transparency. We try to meet face-to-face once every quarter – in fact, we just had a planning meeting in San Diego – but as long as we are all excited about the same goals, and we communicate regularly, it's possible to maintain our core values. Technology makes it so easy to communicate with one another, so that it doesn't seem like we are scattered.

RM: ***In the reverse mortgage business, all companies sell the same product. What is it that distinguishes FAR? Why should borrowers choose to work with you?***

KS: Respectfully, I disagree – that's like saying that two restaurants sell the same product because they both specialize in steaks. Yes, the base reverse mortgage is the same, but it is the strength of our values and the service associated with those values that brings people back to our company. FAR's dedicated customer focus, strong financial backing and experienced team make us a clear top choice for both borrowers and wholesale partners.

RM: ***FAR is one of the industry leaders in wholesale. How do you protect your brand when the originators do not work directly for you? How do you control the message they are putting out?***

KS: We have a very robust due diligence process around the vetting of our partners from a wholesale approval standpoint and from a loan level approval standpoint. Our marketing and compliance teams perform a full broker advertising compliance review prior to any new partner coming on board or recertifying for a new year. All members of our team know how to spot behavior not in line with our commitments and values, as well as not up to the NRMLA ethics standards, and we then work together to address anything that may arise. Our team knows that overlooking any misstep could be debilitating for not only our company but also for the industry that we have all worked so hard to protect and grow over the years.

RM: ***FAR was the first company to launch a proprietary program since the Great Recession. What has the consumer response been like and what are the demographics of your average borrower?***

KS: Consumer response has been great in our first year and a half. We were even able to better service previous borrowers in our portfolio who benefitted greatly by lend-

Talking Heads continued on page 10

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Talking Heads continued from page 8

ing limits beyond that which the HECM could offer. The HomeSafe loan has become a viable retirement planning tool for high net worth clients, as well as an alternative to the HECM for those who may have experienced high appreciation in the home values in their area. Without going into too much detail, our borrowers who sit in the "sweet spot" for a HomeSafe are in their 70s or older, and own a million-dollar-plus home. Our biggest challenge has been getting state-level approvals for the product. California has always been the biggest "jumbo" market followed by New York. We are still trying to get approval in New York to offer the product, and believe we will get there. Right now, we are in 12 states and by the end of 2016 we hope to be able to offer the product in 17 to 20 states.

RM: ***What does a typical day as President look like?***

KS: It has been quite a wild ride so far! We didn't appoint my replacement for COO until recently, so I have been wearing both hats. Most recently the focus has been on making sure our team is aligned around our key performance indicators. These will help us in achieving our targets for 2016: providing value in the form of exceptional service for our partners, maintaining a competitive position in the market and growing our retail division to levels we have not achieved in the past. Luckily, because I have already been working alongside this management team for the last four years, and we have amazing talent throughout all divisions of the company, I didn't have to worry about getting familiar with a new team, restructuring any divisions, or understanding how the business works.

RM: ***What has been the biggest challenge running a company the s size of FAR?***

KS: In addition to the challenges of simply running a larger business operation, we, also, have the challenge of guaranteeing that we are always representing the industry in the best possible light. Unfortunately, there are bad actors in the mortgage space. If we want to break out of our niche status, we have to do what is right for the borrower and ensure that the right players are participating. We have an integrity-driven culture at FAR and open communication with everybody, from entry-level staff up to senior managers. I, also, think that our wholesale account executives do a good job of bringing new companies into the business that are well-aligned with the company and industry values.

RM: ***It has been almost a year since Financial Assessment was introduced. How have these changes impacted business and the way you market the HECM program?***

KS: Financial Assessment has not been a stumbling block for us, but rather a selling point. The increased safety measures FA puts in place protect the customers by ensuring they have the financial capacity to pay future taxes and insurance, and our focus is always the customer. While there may be a reduction in overall loan volume, the loans that we are clearing are the right loans, the loans that safeguard the customer and the future of the HECM program. Turning these safeguards to our advantage allows us to provide additional reassurance to our customers throughout the acquisition and sales process.

RM: ***If you could change anything about the HECM program, or the industry itself, what would it be?***

KS: Wider acceptance and understanding of the product would be my one wish. Although perception is slowly changing, the majority of the people I talk to about our product still don't understand how it works and how it could be a positive option. Now that HUD has helped us make HECM a safer option for consumers, it would be really beneficial for the industry if a "known" player – a reputable company with a recognizable brand name (comparable to Wells Fargo or Bank of America) – entered the market in a big way. Or alternately, one of the current major players become as "known" as the mega-banks. FAR would love to be the company to make this happen.

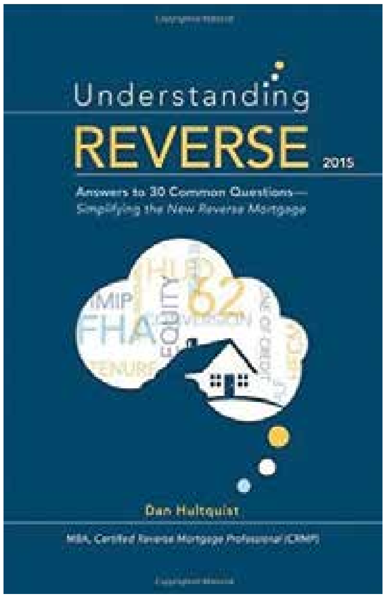
The increased safety measures FA puts in place protect the customers by ensuring they have the financial capacity to pay future taxes and insurance, and our focus is always the customer.

***RM:** We will be picking a new President in November. Several leading candidates support reducing the role of the federal government. Does this worry you at all about the future of FHA and this industry?*

KS: I think the value of the product is very clear at this point and any administration will have to take the current aging landscape into consideration before making any rash decisions. While different parties may view the product differently, as long as we, as an industry, can continue to focus on responsible lending practices, we can at least be in a position to share that value proposition and fight for the continuation of our product. In a worst-case situation, FAR feels confident that we could work with our ownership and investors to tailor possible alternatives to the HECM that would allow us to operate in a landscape with less access to government products.

***RM:** Who has been your biggest influence?*

KS: I can easily point to my husband Peter as being my biggest influence. We have been married for almost 12 years. He is a business consultant, so he works with companies to build effective communication, increase profitability, and get companies ready for sale. He is very dynamic and has a lot of traits opposite of mine that give him the ability to always show me a different perspective. Whenever the going has gotten rough for me, he has consistently challenged me to find ways to be more effective, more supportive or whatever else is needed in the moment. It is hard for me to picture getting to where I am today without his support. RM



Dan Hultquist's *Understanding Reverse*

Discovering Your Reserve Tank

By Jessica Hoefer

THE "HOW-TO" MANual has existed for as long as we have had the spoken word. Initially instructions were spread through oral traditions known as proverbs and parables. Learning to read and write down these oral traditions was the genesis of the how-to manual.

As an analogy illustrating an instructive lesson or principle, parables are the perfect content for a "how-to" book. As a neophyte to the reverse mortgage industry, I have done a great deal of research on the subject. In my initial search, I came across a reverse mortgage parable about four friends driving through the desert when they realize they are running low on gas and are 100 miles from the nearest gas station. As they watch the gas gauge get lower and lower the situation is likened to retirees running out of money in retirement.

Continuing on their journey, the four friends discover that the car has a reserve tank that will allow them to get safely to the next gas station. However, in reading about the reserve tank in the owner's manual, the friends find that if they had used the reserve tank first it would have more than doubled the miles they could have gone compared to using the reserve tank second and in a dire situation. Also, had they alternated between the two tanks, depending on the terrain, they could have increased their mileage even more.

The moral of the story is that, for most retirees, the reserve tank is the equivalent of a reverse mortgage. The catch is knowing about its existence and fully understanding its capabilities in order to get the best mileage, and for that you must read the owner's manual. This is Dan Hultquist's sole objective in his new book, a how-to manual of sorts, *Understanding Reverse: Answers to Common Questions – Simplifying the New Reverse Mortgage*.

Hultquist is a graduate of Penn State and received his MBA from Kennesaw State University. An experienced reverse mortgage professional, now with Open Mortgage in Atlanta, he is the only Certified Reverse Mortgage Professional (CRMP) residing in the state of Georgia and he co-chairs the Education Committee for the National Reverse Mortgage Lenders Association (NRMLA). Hultquist speaks nationally on reverse mortgages and teaches continuing education courses for CRMPs.

After years of being asked to explain a misunderstood reverse mortgage program, Hultquist felt that there needed to be a more comprehensive understanding of the program and the maximum advantages it can provide retirees. So, Hultquist decided to write *Understanding Reverse*, a how-to for understanding reverse mortgages from origination to closing.

The intent of *Understanding Reverse*, the quintessential car owner's manual, is to educate a broad audience on the finer points of the reverse mortgage program. Hultquist's broad audience includes financial planners, mortgage professionals, counselors, realtors, older homeowners, and other interested parties. Using general terminology and the aid of pictographic charts, he successfully provides the tools readers need to glean a clear understanding of the reverse mortgage program.

Hultquist breaks down the different types of reverse mortgages and the process of obtaining a reverse mortgage from beginning to end, and meticulously addresses every contingency that a homeowner might encounter, such as maturity events. By unraveling the process and using straightforward explanations and sample situations, readers are presented with the mechanics of the reverse mortgage program in a clear and comprehensive manner.

Likewise, via manageable and concise chapters, a glossary of key terms, graphics, specialized examples, and references to Handbooks from HUD, the Code of Federal Regulations, portions of the National Housing Act, the Federal Trade Commission, NRMLA, and FHA Mortgagee Letters, the book effectively instructs and educates lenders on what they can and cannot do.

Through his topical yet descriptive breakdown, Hultquist covers everything reverse mortgage including; mandatory obligations, non-recourse, the need/purpose of Financial Assessment, HECM-Fixed vs. HECM-ARM, mortgage insurance, HECM-to-HECM refinance, Line of Credit, and more. Hultquist, even, dedicates entire chapters to discrediting the misconception that reverse mortgages are for the desperate and how a reverse mortgage can affect a homeowners' heirs, their taxes, or other government benefits. Two chapters offer pragmatic explanations of product and payout options, while another is devoted to the benefits and costs of waiting to obtain a reverse mortgage until it is needed. Suffice it to say, knowing the product and payout options will surely influence how one leans between the benefits vs. the costs of waiting.

For those that feel intimidated by numbers and mathematical equations obtaining and understanding a reverse mortgage can seem like a daunting feat. But, with Hultquist's book, readers achieve a better understanding of the calculations used to determine rates and percentages through step-by-step instructions, diagrams showing the principal limit factor process, charts demonstrating expected interest rates, and so on. *Understanding Reverse* can be used as a teaching tool to educate clients on the mathematical ins and outs of reverse mortgages, as well as criteria applying to eligibility, obligations of the homeowner, and so on. It is, also, a great way for interested homeowners to do their research – check the owners manual – before meeting with a reverse mortgage counselor. This manual helps homeowners know what to be aware of and what questions to ask.

Hultquist delves into the program's changes from 2013's initial disbursement limits and IMIP, 2014's non-borrowing spouses and seasoning requirements, and 2015's Financial Assessment in order to show readers that the changes implemented by HUD over the past two years have not only strengthened the HECM program, but also provided consumer protections.

While the purpose of a how-to manual is to provide short descriptions on how to accomplish a task or reach a goal, it is usually targeted towards non-experts. The advantage of Hultquist's book is that while it does target non-experts, it is equally useful to the experts as an educational tool. *Understanding Reverse* simplifies the topic of reverse mortgages and makes it an open conversation instead of a shadowy enigma. There are many misconceptions being spread by the uninformed or misinformed about reverse mortgages. With the help of *Understanding Reverse*, homeowners now have their own owner's manual helping them make well-informed decisions regarding reverse mortgages.

Don't let your gas gauge hit empty; use your reserve tank. That's what it's there for. RM

Understanding Reverse was released on December 25, 2015 through CreateSpace Independent Publishing Platform and can be found in paperback on Amazon, or on the shelves at your local Barnes and Noble stores.

Borrower Outcomes

Generally current on taxes, high overall well-being, and satisfied with decision

By Marty Bell

"DESPITE THE POTENTIAL OF HECMS AS A SOURCE of income in retirement, there is little published research on the experiences of reverse mortgage borrowers and the subsequent impact of reverse mortgages on longer-term well-being."

So begins a study of reverse mortgage borrowers entitled "Aging in Place: Analyzing the Use of Reverse Mortgages to Preserve Independent Living" and conducted by Stephanie Moulton, Donald Haurin, Cazilia Loibl and J. Michael Collins of Ohio State University.

Historically, government programs do not get it completely right from the get-go and frequently require adjustments after implementation. The reputation of reverse mortgages has seemed to improve considerably with the implementation of changes to the program by HUD over the past three years. If the press is your measure of reputation, NRMLA tracking shows an extremely low percentage of unfavorable reporting over the past three years.

This is encouraging. But reviewing the OSU report, which surveyed a cohort of those who borrowed or considered borrowing prior to 2011 and prior to any changes, as well as talking with borrowers across the country who took their loans prior to the changes *(as you will read in Better Lives on page 18)*, it is apparent that among those who have actually utilized the financial product, the outcomes have been overwhemingly positive and the evaluation of the program has been strong.

According to statute, reverse mortgages are designed to improve the financial stability of seniors by providing a way to "supplement Social Security, meet unexpected medical expenses and make home improvements" (U.S. Department of Housing and Urban Development, 2006). Outcomes, both data-supported and anecdotal, confirm that the HECM program has fulfilled its intent. It has improved the lives of utilizers.

Stephanie Moulton, a professor at OSU's John Glenn School of Public Affairs, has been a national leader in accumulating and analyzing data relating to reverse mortgages. She is now five years into studies supported by HUD and the MacArthur Foundation.

The following are excerpts from the summary of this most recent study, the first to begin to evaluate outcomes. Moulton's examination of outcomes will continue as she explains towards the end of this report:

The Study

Purpose of Reverse Mortgages

Older homeowners may not be willing to sell their homes to access their equity, and may be unwilling or unable to make additional payments that are required to borrow equity from their home using a traditional mortgage.

Reverse mortgages are designed to address this tradeoff by allowing seniors to draw down equity without selling their home, and without a monthly mortgage payment.

Methodology of Study

This study combines administrative data from households who have been counseled for reverse mortgages, HUD loan data for households who borrowed HECM loans, and survey data collected on households three to nine years after receiving counseling for a reverse mortgage. The goal of the study is to provide a better understanding of the relationships between borrowing through a reverse mortgage and financial security, well-being and independence in older age.

The sample population includes seniors who had been counseled for a reverse mortgage by ClearPoint Credit Counseling Solutions from 2006 to 2011, including (1) those who decided not to take out a reverse mortgage; (2) those who took out a reverse mortgage and retained it as of the survey date; (3) and those who took out and then terminated their reverse mortgage as of the survey date. The survey asks people about their experiences with reverse mortgages, as well as general questions on household financial well-being, living conditions and personal health.

Outcomes, both data-supported and anecdotal, confirm that the HECM program has fulfilled its intent. It has improved the lives of utilizers.

A total of 1,761 people agreed to take part in the Aging in Place survey. Sixty-eight percent of people who responded to the survey obtained and retained their reverse mortgage. About 6% obtained a reverse mortgage, but the loan was terminated by the time of the survey. About one quarter of Aging in Place survey participants decided against obtaining a reverse mortgage after completing counseling.

The average survey respondent was 70-years-old at the time of counseling, one-third were women in single-person households, and about 17% had a four-year college degree. The average monthly income was about $2,600 at the time of counseling, or about $31,000 annually. Importantly, the median amount of savings and assets besides home equity was only $2,000. Moreover, nearly half of respondents (45%) reported no assets at the time of counseling other than their home. The reverse mortgage represented a way to tap the only source of wealth these households owned.

Based on credit report information, the average credit score among survey participants was 698 at the time of counseling, a reasonably good level of credit quality. About two-thirds (68%) of survey respondents had a mortgage loan, with an average loan-to-value ratio of just under 30%. This left a significant portion of home equity available for a reverse mortgage. Among reverse mortgage borrowers in the survey, the average proportion of available reverse mortgage funds extracted at closing was 78%.

KEY FINDING #1:
Reverse mortgage borrowers are generally satisfied with the reverse mortgage.

In general, most of those who were counseled and decided to take out a reverse mortgage were "satisfied" or "very satisfied" with their decision (83% of respondents). Even those who subsequently terminated their reverse mortgage expressed a high rate of satisfaction with their initial decision (78% were "satisfied" or "very satisfied"). By contrast, only 60% of respondents who decided against originating a reverse mortgage reported satisfaction with their decision.

Those who originated a reverse mortgage were asked to reflect on the extent to which they agreed with the statement, "Having a reverse mortgage improved the quality of my life." The majority of respondents, 76% of active borrowers and 65% of terminated borrowers, agreed with the statement.

***Outcomes** continued on page 16*

Outcomes continued from page 15

KEY FINDING #2:
Supplementing income and paying off mortgage debt are the top intended uses for reverse mortgage funds

The Aging in Place survey asked respondents about reasons why they considered obtaining a reverse mortgage. The most common reasons are predictable, such as supplementing income (42%), but also for reasons that are perhaps less obvious, such as paying off a traditional mortgage (39%). Paying off a mortgage that requires a regular monthly payment allows people to free up income that can be used for other purposes. In fact, survey respondents who indicated they borrowed in order to pay off mortgage debt often reported that their motivation was to eliminate their monthly mortgage payment.

Other plans for reverse mortgage funds were to pay for home improvements (24%), to provide financial help for family members (19%), to postpone using other sources of retirement income (16%), and to pay for ongoing health or disability-related expenses (14%).

A key feature of the HECM reverse mortgage is that even if property values decline, the reverse mortgage line of credit retains and grows based on the initial home value. Savvy homeowners during the housing bubble could have used a reverse mortgage to hedge against house price risk. Only about 10% of survey respondents reported considering a reverse mortgage as a means to "lock in home equity as insurance against declining housing prices." Likewise, very few respondents (6%) planned to use a reverse mortgage for a big purchase (such as a car or vacation) or to purchase a new property (5%). As it is currently being used, the reverse mortgage is mainly a way to manage basic ongoing finances.

KEY FINDING #3:
Most reverse mortgage borrowers are current on property taxes and rated the condition of their home as "good" or "very good"

An important goal of the broader Aging in Place study is to estimate the impact of reverse mortgages on longer-term financial stability and well-being. This will require longer-term tracking of borrowers to estimate the outcomes of households who obtained reverse mortgages using comparison households who did not. The current survey can only descriptively compare the responses of seniors who were counseled and obtained a reverse mortgage to those who were counseled but did not obtain a reverse mortgage.

The Aging in Place survey included questions related to several outcomes that are reasonable proxies for household financial security. For example, one question asks whether or not the household is currently delinquent on property taxes and/or homeowner's insurance. While there is no monthly payment associated with a reverse mortgage, borrowers are required to maintain their property taxes and homeowner's insurance payments, or they are considered to be in default on their mortgages. As of 2014, HUD reported that more than one in ten HECM borrowers had missed one or both of these payments, and thus were at risk of foreclosure. Most of the participants in this survey, however, reported being current on their property taxes. Respondents not obtaining a reverse mortgage were more than twice as likely to report being past due on property taxes: 5% of non-borrowers compared to 2% of active reverse mortgage borrowers. The average amount overdue was $1,449 among active borrowers and $4,221 among non-borrowers.

One basic indicator of general household overall well-being is the condition of a household's living environment. Survey participants were asked about the current condition of their homes. Active borrowers rated the condition of their home highest: 85% reported their home to be "good" or "very good." About 81% of terminated loan borrowers and 76% of non-borrowers rated the condition of their homes at the same levels

KEY FINDING #4:
Reverse mortgage borrowers have average financial literacy, are risk averse with regard to finances, and most have a written will.

Survey participants were asked a series of questions to measure their financial knowledge, willingness to take financial risks and financial planning behaviors. With regard to financial literacy, Aging in Place survey respondents appear to be on par with the general population. For example, 69% of respondents correctly answered a compound interest question. In a general population survey of seniors, an average of 67% of respondents answered the same question correctly.

With regard to risk tolerance, survey respondents reported very low willingness to take risks with their financial investments. They scored an average of 2.6 on a risk-tolerance scale ranging from 1="not at all willing to take financial risks" to 10="very willing to take financial risks," with no substantive differences between borrowers and non-borrowers. In fact, about half of all respondents selected "not at all willing to take risks."

Finally, survey respondents were asked about their financial planning behaviors. At least half of survey participants reported having a written will, a living will and/or health care power of attorney. These estate planning tools were more frequently reported among reverse mortgage borrowers than non-borrowers. For instance, over 70% of borrowers had a written will compared to 60% of non-borrowers.

Conclusion

The results suggest reverse mortgage are a valued financial product. Respondents tend to have lower incomes, have very low (or no) assets and they desire to use the equity locked up in their house to make ends meet. Borrowers do not show strong signs of distress or low financial capability or literacy, and generally have good credit.

Borrowers are generally satisfied with their decision to take out a reverse mortgage. The main reason people report seeking the loan is to either pay off an existing mortgage debt, which frees up income that used to be devoted to payments, or to directly provide a supplement to retirement and other income. People who sought a reverse mortgage but did not take out a loan report reducing their overall expenses, including essential expenses. A substantial proportion of seniors not taking out a reverse mortgage reports extracting equity through an alternative channel, primarily through refinancing a forward mortgage and extracting cash at closing. Overall, equity appears to be an important source of cash flow for seniors in our sample.

Most reverse mortgage borrowers in the survey report being current on property taxes—in fact, at a higher rate than non-borrowers in our sample. Thus, while default on property taxes and homeowner's insurance is an important policy issue for the reverse mortgage program, it is not clear that reverse mortgage borrowers are at greater risk of default on these expenses than seniors without a reverse mortgage.

There is also some indication that borrowers of reverse mortgages feel high overall well-being. For example, borrowers tend to positively rate the condition of their home compared to non-borrowers. While this could be due to a direct effect of the reverse mortgage, it could also be that homeowners who opt into a reverse mortgage have homes in good condition prior to getting a loan. More detailed analysis is needed to disentangle these effects.

Future Analysis

The survey results suggest that HECM borrowers are doing well on a variety of different indicators three to nine years after originating their loans. However, in order to estimate the impact of the HECM on these indicators, we need to have a comparison group of otherwise similar seniors who did not originate a HECM. Our next two studies will allow us to do this. First, we will be comparing the long-term credit outcomes for seniors who originated HECMs to otherwise similar seniors who extracted equity through another channel (HELOC, cash-out refinancing or second liens). Second, we will compare our survey respondents to a nationally representative sample of seniors using the Health and Retirement Study (HRS) data, allowing us to compare HECM borrowers to non-borrowers in the areas of finances, health, housing and general well-being. These analyses are currently in process, and should be complete by August 2016.

The main reason people report seeking the loan is to either pay off an existing mortgage debt, which frees up income that used to be devoted to payments, or to directly provide a supplement to retirement and other income.

(For samples of individual borrower outcomes, please turn this page.) RM

Better Lives

How have HECM borrowers fared?

Since 2009, Reverse Mortgage *Magazine has been telling individual stories of HECM borrowers. We thought it would be revealing to go back and look at some of the outcomes of those we have visited all across the country.*

Northeast

Windhaven, Maine—Tim Livingston and his wife had a well planned retirement. But by 62, Mrs. Livingston became disabled and needed assistance and Tim had his own serious health issues. The reverse mortgage allowed them to pay off their mortgage and, thus, afford their medical caregiving bills.

Cape Cod, Massachusetts—Cameron Katzstein took out a reverse mortgage at 82 and eliminated mortgage payments. By 91, she was blessed with two great grandchildren and had enough money to set up college funds for each.

Wakefield, Rhode Island—In 1961, when Barbara Hackey married her husband Frederick, they moved into the home her father had built 58 years before and raised their family there. Barbara is still there because her HECM line of credit permitted her to continually fix the roof, fence and other problems of an old house.

North Bellmore, New York—When her husband died, Louise Rosagi's son, Vincent Junior, gave up his job and moved in with his mom to be her caregiver. Then he became ill. They were living on her Social Security and his disability payment. A tenured payment of $1200 per month permitted them to remain in the home Louise had been in for 50 years rather than move to medical facilities.

Mount Laurel, New Jersey—Ellen Day, a widow, had three children. Richard Kueny, divorced, had four. When they married, they used a reverse mortgage to help put all seven children through college.

Wildwood, New Jersey—Robert Yorke had an impressive public sector career in the military, working in community development, then as a probation officer, finally as a program analyst for the Department of Health and Human Services. When he retired, he made a wise financial choice to downsize to his parents small home in Wildwood, NJ. A reverse mortgage permitted him to redo the roof and porch and make the old affordable beach house livable.

Philadelphia, Pennsylvania—Joan Rennie, 75, found herself behind on taxes and had very little money left for food. With a reverse mortgage she paid her debts, taxes and had about $500 per month left from her tenured payment.

Weymouth, Massachusetts—Larry Grillo is able to serve part time for FEMA, including helping people out of Jersey shore homes following Katrina, and Lucy Grillo is able to counsel families considering adoption because their reverse mortgage line of credit enables them to cover their expenses without worry.

Mid-Atlantic

Montgomery Village, Maryland—Franklin Ebersole served in the military, then ran his own printing business, but never made enough to put much into his 401(k). He was still working at 75 when he learned about a reverse mortgage, which permitted him to retire.

McMurray, Pennsylvania—Mechanic Jim Hudson owned his own auto shop, then well into his 70s found himself still fixing golf carts to support himself. A reverse mortgage line of credit permitted him to finally retire.

Virginia Beach, Virginia—Tom Wright lost everything and went bankrupt in his 60s. He had to start a new career at 64, took out a reverse mortgage line of credit, but continued to work until 75. Without the reverse mortgage line of credit for emergency security, he would still be working at 81.

South

Charleston, South Carolina—Ruth Cupp, an attorney and one-time representative in the SC House, had retirement well-funded through the Clinton years, but got socked in the market at the end of the Bush years. Still actively practicing at 80, her doctors told her she could live to 100 and better plan for it. She took a reverse mortgage line of credit to replace the decrease in her portfolio and to breathe easier as she waits for it to grow back.

Delray Beach, Florida—Research shows seniors who stay socially active and participate in the arts have fewer doctors visits, pharmaceuticals, and falls. Enid Gochman lost the wherewithall to pay for her first love—live theater—when she retired from working in healthcare and moved from New York to the east coast of Florida. A reverse mortgage gave her the means to revive and sustain her active social life.

Fort Lauderdale, Florida—Andrew and Beatrice Hollimon were able to retire ten years earlier than they had planned and purchase a home they never imagined they could afford by combining the proceeds from the sale of their home in St. Louis with a HECM for Purchase of a new home in Fort Lauderdale.

Jackson, Mississippi—When Shirley Smith's mother died her daughter was left with years of her mother's unpaid accumulated medical expenses. She paid them down out of her salary as a service manager at auto dealerships. Then she lost her job. A reverse mortgage allowed her to relieve herself of the financial burden left by her mother.

Lake Ponchartrain, Louisiana—Despite good planning, at 80 Larry and Helen Driscoll reached that "Uh-oh" moment when they realized they had a solid chance of living much longer than they had planned to. So they downsized and used a reverse mortgage to help purchase a smaller home to extend the life of their precious assets.

Midwest

Kewadin, Michigan—James Adams, a private detective, retired to a lakefront home with an adjustable rate mortgage. But when interest rates jumped, he could no longer meet his monthly expenses. A reverse mortgage eliminated the mortgage payments and enabled him to get back on track.

Columbia Heights, Minnesota—Maxine Porter was left with tens of thousands of dollars in expenses from her husband's battle with cancer. A reverse mortgage allowed her to pay them off in full.

Chicago, Illinois—Dewana Smith had to give up her own job to become a full-time caregiver for her 92 and 87-year-old parents. A reverse mortgage allowed her to support herself until she was able to return to work.

West

Glendale, Arizona—Diana Hill worked as a supper club singer, ran her own coffee shop, then ended up on her feet all day at the jewelery counter at Macy's late into her 70s. A reverse mortgage finally enabled her to retire close to 80.

Dayton, Nevada—Vivian and George Low vastly reduced their monthly energy expenses by using reverse mortgage proceeds to install a wind turbine in their yard, which enabled them to cover their monthly expenses.

Las Vegas, Nevada—Former NASA employee Bob Kaltenbahk and his wife Marjorie, a real estate consultant, are avid researchers. Their research into reverse mortgages convinced them they could do best if they left their investment portfolio intact and covered their monthly expenses with draws on a reverse mortgage line of credit.

Palm Springs, California—Donna Chaban believed in contributing to community. She worked and volunteered for not-for-profits her whole life. When she lost her paying job and could not find another, it did not discourage her from working as a volunteer. Her reverse mortgage enabled her the affordability of not having a paying job and still continue to contribute to the community.

San Diego, California—When reverse mortgage sales folks Ken Kerenan and Katharine Klicka divorced, he took out a reverse mortgage to buy his ex-wife's share of their house. She then combined this with a reverse mortgage of her own to purchase her own home.

Rockridge, California—When Deloss Rose lost his wife, he lost his caregiver. Now still living independently at home at 98, a reverse mortgage pays for caregiving services.

South Portland, Oregon—At 75, John Mosely was still busing tables and mopping floors at McDonald's to cover his and his wife Ginny's expenses until he learned that he could do better each month with a reverse mortgage tenured payment. RM

Engaging Financial Planners

Advice from American College's Jamie Hopkins

By Joel L. Swerdlow

FINANCIAL PLANNERS MUST LEARN ABOUT REVERSE mortgages; reverse mortgage originators must learn about financial planning; and everyone must be willing to change and grow.

That message comes through clearly while talking with Professor Jamie Hopkins. Normally, if you're having a conversation with him it means you're attending a professional conference, or you're enrolled at The American College of Financial Services in Bryn Mawr, Pennsylvania, at which Hopkins is a full-time faculty member. It is, Hopkins explains, "the premier educational provider and thought leader for the financial services profession"—a non-profit, accredited, and degree-granting college.

Few of us say this about many professors, but when Hopkins speaks, it is worthwhile to listen to every word.

He begins with a powerful concept, "retirement income literacy."

"With the death of defined benefit plans," he explains, "retirees have to make their own retirement income plans or hire an advisor to help them. In the Retirement Income Center at The American College we've done research to gauge America's retirement income literacy. Only 20% of people nearing retirement could pass a quiz that measured basic knowledge. This is troubling because retirement income planning is very difficult and retirees will be unable to avoid making decisions about taxes, home equity, investments, withdrawal rates, Medicare, and long-term care."

Enter the Baby Boomers. This huge cohort born between 1946 and 1965 has, Hopkins says, "a big issue"—they are retiring before they have enough money to safely make it through retirement. They may not realize it yet, but they will have to decrease their spending once they retire.

Jamie Hopkins

Cut back "significantly," Hopkins emphasizes. Or, if you are not willing or able to do that, he says, Baby Boomers must "be more strategic about their retirement income planning," and to be more strategic they must make "better decisions regarding home equity." And fundamental to this, he says, is "understanding reverse mortgages."

The American College is in the middle of doing a research project on retirement income planning and home equity literacy. "We hope to drive attention to this important issue and at the same time educate consumers on the best practices of using home equity and reverse mortgages as part of a retirement income plan," Hopkins says. "Reverse mortgages need to be considered as part of a retirement income plan. Home equity is the largest personal asset of the Baby Boomer generation and is often ignored in retirement income planning." Hopkins and The American College are setting themselves up as the premier thought leader with reverse mortgages and retirement income plan-

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Jamie Hopkins continued from page 21

ning through a strategic mix of original research, expertise, and educational programs.

What unique or special roles can reverse mortgages play? “Reverse mortgages are now called the saving grace for many Baby Boomer retirees,” he responds. “Outside of Social Security benefits, home equity is the largest asset for the average retiree. The big misconception many people have about reverse mortgages relates to when it is best to use them in retirement. Most people think it’s a product for use at the end of retirement, when the retiree is out of other assets. However, research has shown that in most cases it is far better to use reverse mortgages early in retirement to reduce market risks and help improve cash flow.”

Hopkins emphasizes that he is not a specialist in details of setting up/or originating a reverse mortgage, and says that people must talk to a reverse mortgage lender. But he thinks—again returning to the notion of financial literacy —that everyone must be well informed about all that a reverse mortgage can offer. “Another great benefit of a reverse mortgage,” he says, “is that it can in part diversify your equity wealth. By adding a Home Equity Conversion Mortgage (HECM) line of credit to your home you now have a liquid portion of your home that grows based on factors other than the housing market. This can help diversify your otherwise totally undiversified and illiquid home.”

Like all good teachers, Hopkins repeats his basic message in several different ways until, listening to him, you realize you have discovered it within yourself: “Both the financial services profession and reverse mortgage professionals need to start looking at retirement income planning in a comprehensive manner. This means both industries have to take steps to better understand what each other are doing and how it benefits the client and impacts the client’s overall retirement security. It is a disservice to the client to recommend a reverse mortgage without understanding how it benefits their retirement income plan. Additionally, it is an equal disservice to not recommend that the client look at a reverse mortgage when it could be beneficial to their retirement.

“Lenders need to understand sequence of returns risk, the safe withdrawal rate, portfolio sustainability, Roth conversions, and non-market correlated income sources. Reverse mortgages can improve the sustainability of a portfolio by reducing sequence of returns risk early in retirement by acting as a non-market correlated income source which in turn can reduce the withdrawal rate early in retirement. Because reverse mortgages are loans and not taxable income, it also allows for tax planning opportunities, like Roth conversions.”

Hopkins is the co-director of The American College New York Life Center for Retirement Income, and oversees the College’s trademarked Retirement Income Certified Professional® (RICP®) program a “designation” means the student—usually a college graduate who seeks further training— has excelled at a set number of courses, as opposed to an academic graduate degree, which requires years of full-time study.

“While at the American College, we teach comprehensive financial planning in a variety of educational programs,” Hopkins says. “The RICP has quickly become our most popular educational program due to its comprehensive view on retirement income planning. In the RICP, we focus a good deal of time on housing decisions for seniors, including best practices and the most current research on reverse mortgages.” The RICP now has enrolled more than 10,000 financial advisors, all of whom will receive education on effective uses of reverse mortgages in a retirement income plan. Additionally, some lenders have begun to take the RICP to better understand what retirement income professionals are doing. Hopkins points out that the RICP education is extremely valuable for reverse mortgage lenders.

And what kinds of things does this research show? Hopkins points out that we must all—professionals in the involved fields and clients alike—be willing to think in realistic terms about risk. We all face, for example, what he describes as “longevity risk;” we don’t know how long we’re going to live or how healthy we’ll be. Indeed, public opinion polls show that more Americans fear “outliving their money” than they fear death. “Retirement income planning is like shooting at a moving target in the wind,” he says. “We don’t know where the target is going to go. Reverse mortgages can help with longevity risk through tenure payments options and by improving the longevity of one’s portfolio by reducing the risk of sequence of returns risk early in retirement.”

Tenure payment options? Sequence of returns risk?

Yes. We must learn these terms, too. Talking to a professor who has something important to teach can change the world for us, but also requires that we be willing to do some work.

All those generations coming after the Baby Boomers must start thinking about these things, too. RM

I Taught the Counselor Some Things

By Mark Olshaker

"I WANT TO BE JUST LIKE YOU WHEN I'M YOUR AGE!"

If there were one single statement that sums up Dona Olsen, it would be this, variations of which she hears frequently. A hearty 92, Dona easily passes for 20 years younger, and if you listen to her in conversation, you would swear she was considerably younger still.

Born to a baker and his wife in the tiny central Michigan town of Edmore, Dona now lives near the equally small town of Nashville, roughly in the middle of the triangle formed by Lansing, Grand Rapids and Battle Creek. "I've loved this house," she says, looking out her window down onto ten acres of rolling land with a large lake.

Her life has been a series of self-starting professional adventures, including grocery store owner, florist, office manager for a chain of nursing homes and real estate broker. She spent 20 years with the real estate business in the mountains of Georgia. The rest of her career was back in her home state. Each profession taught her more about life and running a business, all of which she put to good use when she decided it was time to look into a reverse mortgage.

"Circumstances make for funny partners," she comments, referring to her divorce from her first husband that left her without child support payments. "I did what I had to do to support four children." Those two boys and two girls have now reached retirement ages themselves.

What this modest self-evaluation doesn't reveal is how Dona worked at each position until she excelled, learning from the inside out. When she bought a flower shop, she had an arrangement with the previous owner to stick around for a month or so and train her. "After a week we were sick and tired of each other, so he left and I taught myself to design floral arrangements. I worked 18 hours a day. Natural curiosity helped a lot."

When she worked for the Lansing-based nursing home chain, she found herself in charge of eight offices, giving seminars to the personnel at each one, including accurate record keeping. She relied heavily on the accounting she had learned in school. "Billing to the state had to be perfect," she notes. "I guess I'm precise because accounting is precise."

Her high trust positions might have been partially at-

Dona Olsen (right) with her granddaughter

tributable to the values of her small town upbringing. "My dad taught me that honesty was honesty and there was no way around it," Dona recalls. "That's just the way life was."

Dona retired from real estate at age 74 and moved back to Michigan, already having planned for her new life. "Before I retired, I had my son-in-law build me a house without any labor costs, just charging me for materials. In return, I let him and my daughter live there for a year or so while they built their own house." So when she was ready to retire, the house was already there for her, with a low basis and solid equity.

But like many who take on custom building, "I found I had to put a lot more into it than I thought." It cost her almost twice the $60,000 she had anticipated. "I said to myself, 'How am I going to make payments on my retirement income and still have money to live?'"

Dona looked into a reverse mortgage and decided it was the right course for her. "My children are in good shape; they've all done real well, so they didn't need my help," she states proudly. "When I'm gone, they can sell the house or pay off the reverse mortgage and keep it; whatever they want. Now I have no house payments and I can survive pretty well on my monthly income and Dick's." Dick is

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her close companion of the last ten years, a retired local butcher, who also ran a frozen food locker.

"Dick is well-known around here and an awfully nice guy," she says.

Michael Gruley, Director of Reverse Mortgage Operations at 1st Financial Reverse Mortgages, who arranged her HECM, found her extremely knowledgeable about the product and fully aware of all the details. When she went for the HUD-mandated counseling, she says she knew more about it than the counselor. "I'd read up on it and I taught her some things!" Dona says. Mike still checks in with Dona from time to time. He calls her "a very cool lady, indeed."

In the close to 20 years she's lived there, the house has occupied much of Dona's time. "We've added another room, a garage, a deck and a screened-in porch." And she has done just about all of the landscaping, calling upon her flower-arranging background. "It certainly helped," she says, "knowing which plants to use and where they should go. But I've also hauled lots and lots of rocks and lots and lots of dirt!"

And there is another artistic pursuit that consumes much of her time these days. "I have always been interested in drawing," she explains, "but I never had time to do much while I was working and raising the children. So after I retired, I took up watercolors. It's been 18 years now. I've had a number of exhibits and shows and I've sold many of my works. I guess I'm pretty good at it – people say I am."

She favors nature – landscapes and close-ups of animals. "I like to do water, trees, flowers; anything like that." And she finds painting a total escape. "When I'm painting, I'm lost to the world. I sit down, I relax. It's good therapy."

When asked her secrets to such a long, healthy and productive life, Dona attributes much of it to good genes. Her father lived to be 98 and her mother, to 95. And she does her part. "I try to take care of myself and I don't eat junk food."

With her knowledge and background, a number of people have suggested Dona run for office. While she has no interest in getting into politics, she does concede, "I could be a real good zoning officer or anything that has to do with land."

Perhaps that will be Dona Olsen's next adventure. RM

Finding Your Fix

Fidelity Homestead will search for you

By Mark Olshaker

Typical "before" and "after" images

ABOUT FIVE YEARS AGO, DAVID MICHAEL SAW A need. And that is how Fidelity Homestead Associates of Westlake, Ohio, got started.

David Michael

"I was a reverse mortgage loan officer and branch manager in Cleveland," he recalls. "I would spend hours and hours on the phone with my clients during the process, and I got close to them. Toward the end, as we got closer to closing, we'd often have a problem where we couldn't find people to fix the roof, the pipes, or whatever FHA required.

"At the last minute, I'd find myself calling a roofer in Atlanta, for instance, and if the potential borrower didn't have any cash, I'd have to convince the contractor, who I didn't know, to do this work now, and get paid if and when the loan closed. There were so many people we'd lose this far in because of repairs and/or inspections, and I felt terrible. I used to lose sleep over it."

Michael knew that if he and his clients were facing these challenges, they were being repeated all over the country. Lenders and brokers were losing business, and seniors who sought out HECMs to improve their living situations, were being deprived. Having loans kick out because homeowners had no means of effecting needed or required improvements served no one's interests.

"What I knew we had to do was build up a nationwide network of contractors who were licensed, insured and vetted," Michael states. And in 2011, that is just what he did.

Win for the homeowner, win for the contractor

With a database of many thousands of names throughout the home repair industry and throughout the nation, and an emphasis on the reverse mortgage business sector, Fidelity Homestead identifies and offers its network contractors to provide home repairs and inspections to its clients. Those clients are mainly homeowners who have been approved for mortgages, but need repairs they cannot afford on their homes to be FHA compliant. Through years of experience in all areas of home maintenance, the staff has the knowledge to comply with all types of underwriter and appraiser requested repairs for FHA loans. Fidelity charges the homeowner a management fee, similar to a general contractor's fee. But the homeowner doesn't have to pay until he or she receives funds from the loan closing.

From the contractor perspective, this can be a highly attractive means of obtaining business. Fidelity does not charge fees to its network contractors. It does not sell leads. It manages the entire process, and all bids and estimates come directly to Fidelity, which pays the contractor directly if it is awarded the contract. The contractor does not have to handle anything with the homeowner other than the repairs and/or inspections.

In return, all network members must be licensed and insured as required by local law and they are scrupulously vetted by Fidelity. They must provide their estimates free of charge and if selected for the work, they generally will receive about half of the payment up front and the balance when the project has been inspected by the appraiser and approved by the underwriter. The contractor assumes zero risk of the loan not closing. For jobs estimated at $2,000

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> Fidelity Homestead Associates has been a great help to many of our clients.
>
> Sean Bobbitt
> **EVP AAG**

> Fidelity has accomplished some miraculous results for our folks when needed.
>
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Fidelity Homestead continued from page 25

or more, the homeowner signs a promissory note and deed of trust to secure the investment made by Fidelity.

From the homeowner perspective, the benefits of this system are clear. Aside from not having to put out money up front, choosing a contractor can be a stressful and difficult process, and unless one has a specific recommendation from a friend or associate, it is problematic knowing how suitable a particular contractor will be. Nearly everyone has heard consumer horror stories about people, especially seniors, being taken advantage of by unscrupulous contractors who never show up, don't complete the work, or do an inferior job. That risk and uncertainty is taken out of the process through Fidelity's system.

And a win for the lenders

Corresponding to the contractor network is a lender network. Just as for homeowners, when lenders know that home repairs or renovations are required to achieve the appraised value and permit the closing to go through, it can be a difficult and time-consuming process to find someone reliable in an effective and timely manner. Lending institutions are not in the building or renovation business, and don't want to be.

So Fidelity provides processors and loan officers in its network with fast and easy handling of estimate requests, free leads from members of the contractor network and email updates to help acquire and close loans. There is no fee for a lender to join the network or receive an estimate. And since Fidelity is at the nexus of contractors and mortgage lenders, the company frequently receives inquiries from its contractors on behalf of homeowners who wish to refinance in order to undertake repairs, renovations or upgrades, which it passes on to loan officers enrolled in the lender network.

Fidelity undertakes all of AAG's inspections, as well as for a number of other prominent companies, is an active member of NRMLA, and can be found in the vendor directory on the NRMLA website. Recently, Fidelity was vetted and selected by Navy Federal Credit Union to undertake a wide variety of inspections. The company is an accredited business with the Better Business Bureau, maintaining an A+ rating with no complaints filed.

Among the contractor inspection and repair services offered are: carpentry, clutter removal and cleaning, demolition, electrical, elevation certificates, flooring, foundations and basements, HVAC, painting and drywall, pest inspection and extermination, plumbing, roofing, structural, surveys, well and septic and windows and doors.

How it might work

A typical scenario for Fidelity's services would be: A request from a member of the lender network comes in for an estimate regarding an inspection or repair work on a house slated for mortgage closing. Fidelity selects a contractor from the network and requests an estimate. The contractor submits the estimate to Fidelity, which then seeks authorization from the client. Once authorization is received, Fidelity arranges with the contractor to begin repairs and/or inspection and discusses payment terms.

What Michael says he likes best about his business is the ability it affords for helping people, particularly seniors. One representative story personalizes and particularizes what he means.

An elderly woman lived with her adult daughter in a home worth about $355,000, on which she only owed $25,000. The house was about two weeks away from foreclosure, which would have left them homeless. "But the house was a wreck," says Michael. "And they had no money to fix it up. So we took charge, we paid off the mortgage and put the mother and daughter in a hotel while we had the renovation done. After that, she was able to close on a reverse mortgage, and now they are able to live in basically a brand new home with over $100,000.00 in equity."

There are numerous instances of Fidelity being able to help homeowners through a variety of personal issues. As an example, Michael says, "We have a very professional and conscientious contractor who can sit down and talk to hoarders. He helps them decide what to keep, what to give away, what to throw away and what to store. So when the repairs are finished, the house is livable again."

He concedes, "Things have changed somewhat since Financial Assessment went into effect and some folks are now harder to help. But we still have many stories of assisting seniors to obtain their reverse mortgages and improve their living conditions."

And he gives this rationale, "The reason we exist is to help homeowners who need repairs and/or inspections and don't have the money." In fact, when put in contact with a homeowner, one of the first things a Fidelity staff member will ask is, "Do you have your own money for this repair?"

If they do, "We'll give them the referral for free and they can take it from there if they want." Which brings up the other reason for Fidelity Homestead's existence. Again, according to Michael, "We want to make sure the reverse mortgage industry stays around."

Fidelity Homestead Associates welcomes both contractors and lenders to join their respective networks. The company can be contacted at projects@fhawork.com or toll-free at (844) FHA-WORK (342-9675). RM

Who's Who in Reverse Mortgages

Member News

Liberty Hires 2 CRMPs

Sacramento, CA-based Liberty Home Equity Solutions, Inc. recently hired Dennis Loxton, CFP, CRMP, to oversee Liberty's Southeast Retail Field Sales Division, and Pete Mendenhall, CRMP, CAPS, Director of Inside Sales, to manage Liberty's Retail Call Center in Coppell, TX.

Loxton began his reverse mortgage career in 2005 as a Wholesale Relationship Manager for Financial Freedom. He served most recently as Regional Vice President at 1st Financial Reverse Mortgages in the Southeast. Mendenhall started originating reverse mortgages in 2011, serving as National Team Lead for Reverse Mortgage at North American Savings Bank in Overland Park, KS.

"Educating our senior homeowners is our top priority at Liberty and hiring professionals that hold the CRMP sets them apart in the industry," says Dena Linzay, Talent Acquisition Supervisor at Liberty. "Earning the CRMP requires a sacrifice and is an honor, so the more CRMPs we have, the better it is for the industry and, more importantly, for our clients, who value education."

Boyer Joins RMF

Reverse Mortgage Funding LLC announced that Pamela J. Boyer, CRMP, has joined the company's Third-Party Originations (TPO) team as South Western Regional Account Manager.

Ms. Boyer is based in Colorado and will report to Mark O'Neil, RMF's National Sales Leader. Ms. Boyer brings to RMF more than 15 years of mortgage industry experience, including the last ten years as a Loan Officer/Reverse Mortgage Specialist for Gershman Mortgage, where she became the first person in Missouri to earn the Certified Reverse Mortgage Professional (CRMP) designation. Prior to this, Ms. Boyer spent time honing her skills at Residential Title Services, Vantage Credit Union, Fremont General Corporation and CitiFinancial.

LRES DirectConnect™ Integrates With Mercury Network

LRES, a national REO and appraisal management company offering property valuations, asset management, HOA and technology solutions for the mortgage industry, announced that its LRES DirectConnect™ integration hub now fully integrates with Mercury Network, a software platform used by more than 700 lenders and AMCs to manage their collateral valuation workflow.

Through this partnership, LRES and Mercury Network offer seamless communication of appraisal orders for customers by delivering collateral valuation reports and supporting data in the MISMO industry-standard format. The integration provides end-to-end automated connectivity while delivering reports and data for auditing and compliance purposes via a single management platform for faster appraisal data exchange.

Profiles of NRMLA Member Companies

American Advisors Group (AAG)

American Advisors Group (AAG) is the nation's leader in reverse mortgage lending, licensed to operate in 48 states. The company, founded in 2004 by CEO Reza Jahangiri, is headquartered in Orange, CA. We are dedicated to helping American seniors leverage their home equity as an asset to help fund retirement.

AAG holds an A+ rating by the Better Business Bureau, has a 96% customer satisfaction rating and is a member of the National Reverse Mortgage Lenders Association (NRMLA). Jahangiri serves as the association's Vice Chairman and co-chairs NRMLA's Policy Committee.

Kimberly Smith, ksmith@aag.com • (866) 964-1109
Please visit aagwholesale.com

Celink

Celink's Reverse Mortgage Servicing Mission is threefold.

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

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

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

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

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

Fidelity Homestead Associates, LLC

Fidelity Homestead Associates, LLC is a National Contractor Management Group that specializes in home repair and restoration for the mortgage industry, with a particular focus on FHA reverse mortgage pre-closing inspections and repairs. We are an accredited business with the Better Business

Bureau, and maintain an A+ rating. We are also a member of the National Reverse Mortgage Lenders Association, and can be found in the Vendor Directory on the NRMLA website. We are committed to providing a turnkey service with fast results, regardless of the location of the home or the size of the project.

To learn more about Fidelity Homestead Associates, please visit www.fhawork.com. Please feel free to contact us at Info@fhawork.com or call 844-FHA-WORK.

Finance of America Reverse LLC

Finance of America Reverse LLC (FAR) is one of the top retail and wholesale lenders of FHA-insured reverse mortgages in the country and one of the largest issuers of GNMA securities. We are a trusted resource who delivers best-in-class training, competitive pricing and a variety of lending platforms.

From our exclusive HomeSafe[sm] jumbo to HECM products, we provide the tools and exceptional service to help our partners grow their business. Every day, we are setting the industry standard for client experience, company culture and financial performance through responsible lending.

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Liberty Home Equity Solutions

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

Based in Sacramento, California, Liberty is one of the nation's largest and most experienced lenders, focusing exclusively on providing HECM loans to senior clients and wholesale business partners. We have helped change the lives of over 40,000 clients since 2004 while providing education and lending solutions to over 1,000 business partners across the U.S.

www.libertyhomeequity.com
For career opportunities call (916) 589-1853
For wholesale opportunities call (866) 871-1353

LRES

LRES is a national provider of property valuation and REO asset management services for the real estate, capital market and finance industries. At LRES, we specialize in helping our clients effectively manage compliance and financial risksassociated with valuation matters. We are the preeminent valuations provider for the Reverse Mortgage industry and deliver peerless service as we strive to be your business partner of choice. LRES has experienced significant growth,regardless of market conditions, thanks to an experienced staff, advanced technology, solid business planning, efficient operations, and the support of every client we serve.

Aaron Roaf, 714-872-5862, aroaf@lres.com • www.lres.com

National Field Representatives

Reverse Mortgage Field Services

Dealing with Reverse Mortgages is complex. NFR is your source for information, expertise and guidance when it comes to Mortgage Field Services. For over 15 years, Reverse Mortgage Servicing executives have relied on NFR to deliver Field Services with integrity and professionalism. We have earned the reputation as a trusted partner meeting the real-world challenges facing Reverse Mortgage Servicers. Our team members know family members may not fully understand a Reverse Mortgage and our coordinators are trained to deal with each situation gently and with compassion. NFR understands the importance of protecting your professional reputation.

Contact: Margie Schagen, mschagen@nfroline.com
Tel: 866-966-0789 ext. 5220 • www.NFROnline.com

Reverse Mortgage Funding LLC (RMF)

Reverse Mortgage Funding LLC (RMF) is an independent, reverse-only company. We don't have competing corporate priorities or distracting lines of business. Everything we do is focused on making reverse mortgages better, in a proactive and nimble way that benefits everyone. Known for product innovation, exceptional service and unparalleled secondary market expertise, RMF delivers a wide array of products and superior pricing. Whether you are new to reverse or a seasoned originator, RMF has a variety of platforms that help our partners succeed. Partner with us today, and together we'll create opportunities for a brighter future.

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For career opportunities: Email careers@reversefunding.com

Reverse Mortgage Solutions, Inc. (RMS)

RMS is a full service partner offering loan origination services, servicing, securitization and REO asset management solutions. Since forming in 2007, RMS has built its business through strong partnerships with Wholesale, Correspondent and Aggregation lenders nationwide. We understand our success is because of our valuable Partners. We'd welcome any opportunity to support your reverse mortgage lending needs.

RMS is a Walter Investment Management company, #1 in HMBS issuance and rated "Strong" by Standard and Poor's. We're a proud member of NRMLA and an advocate of the reverse mortgage industry. NMLS ID 107636.

Contact: RMS Wholesale Team • Phone: 866-571-8213
E-mail: Pat.Kubert@rmsnav.com • www.rmsnav.com

Reverse Vision

ReverseVision, Inc. provides the leading software and technology for the reverse lending industry by offering products and services focused exclusively on reverse mortgages. More reverse mortgages are originated monthly using ReverseVision's SaaS solution, RV Exchange (RVX), than all other systems combined. ReverseVision has partnered with some of the finest and fastest growing lending organizations in the US to provide solutions to brokers, principal agents, correspondents, lenders and investors. ReverseVision is recognized as a driving innovator in the reverse mortgage industry and continues to improve their suite of products with frequent and new innovations, improved integrated services, online credited training and more. ReverseVision is headquartered in San Diego, CA, and boasts a team of reverse mortgage experts, engineers, business specialists and entrepreneurs with a combined experience of over 60 years.

www.reversevision.com • 919-834-0070 • connect@reversevisioncom

Bulletins

News from NRMLA and Beyond

HUD Extends Use of Counseling Survey

The Department of Housing and Urban Development submitted a request to the Office of Management and Budget (OMB) to renew Form 92911, which the Department uses to collect feedback from consumers who receive reverse mortgage counseling.

A formal request was submitted and published in the Federal Register. The public has until March 25 to comment. Form 92911 must be renewed every three years. Instead of making changes or creating a new form from scratch – a process that can take eight to ten months – HUD's Office of Housing Counseling (OHC) decided to renew the current version.

Form 92911 includes 21 questions, such as how did the consumer hear about the reverse mortgage program, how long did the counseling session last, where did the counseling session take place, and so forth. Instructions for submitting comments can be found in the Federal Register notice.

The world wants to emulate us

Countries from around the world approach the Department of Housing and Urban Development for advice on developing equity release programs. HECM is what they all want to emulate, according to Ed Szymanoski, one of the program's chief architects, who sat down for an interview in the January-February issue of *Reverse Mortgage* magazine. This is no small thing. And it's a message that deserves to be spread. To read the full interview download Reverse Mortgage magazine from nrmlaonline.org.

Subject Matter Experts Appointed to ICC

Sixteen reverse mortgage industry veterans were unanimously appointed to serve on the Independent Certification Committee for the 2016 term. A Nominating Committee Report prepared by a small subgroup of existing ICC members was circulated for ratification to all 114 Certified Reverse Mortgage Professionals.

The ICC, which oversees the CRMP designation, is comprised of subject matter experts from a diverse set of backgrounds, such as loan origination, title/legal, operations and counseling. We had more applicants than we had seats for, and the strength of all the applicants was impressive and gratifying.

The new roster can be viewed in the CRMP section of NRMLAonline.org

America's Seniors Holding $5.76 Trillion in Home Equity

An estimated $147 billion increase in the aggregate value of homes owned by seniors drove their share of home equity to $5.76 trillion and rocketed the NRMLA/RiskSpan Reverse Mortgage Market Index (RMMI) to an all-time high of 200.19 in the third quarter of 2015. Mortgage debt held by seniors increased slightly from $1.45 trillion to $1.46 trillion last quarter, but the up-tick was barely a dent in home equity levels, which have climbed steadily for 18 consecutive quarters.

Golding to Congress: HECM Reforms Working

Edward L. Golding, Principal Deputy Assistant Secretary for the Office of Housing at HUD, testified before Congress that extensive reforms to the HECM program over the past two years have had the desired effect of minimizing losses to the Mutual Mortgage Insurance Fund.

"Now, with the benefit of two years of data, FHA can see that these changes appear to be having positive results," Golding informed lawmakers on the Subcommittee on Housing and Insurance during a public hearing held on February 11th on the health of FHA.

In his testimony, Golding said less risky adjustable rate loans accounted for 84% of HECM endorsements in 2015, that more people are withdrawing less money at closing, and that borrowers are not making large withdrawals after the first 12 months but are instead preserving their equity for future use.

Despite the good news, Golding cautioned that challenges remain and HUD continues to further examine how to reduce the negative effects of tax and insurance defaults. Read more of Golding's remarks and view the hearing online at NRMLAonline.org.

FHA Offers Servicers MOE Extension

The Federal Housing Administration is giving servicers an additional 30 days to submit loans for Mortgagee Optional Election (MOE) Assignment if the cases are subject to state statute of limitations.

Mortgagee Letter 2015-15 gives servicers 120 days after the death of the last borrower to initiate a MOE election in HERMIT. FHA Info #16-07, published on February 12, says FHA has been advised that certain states' statute of limitations requirements prohibit servicers from truthfully completing the Mortgagee Certification required to be signed at the time of assignment, per Mortgagee Letter 2015-15. Get more details at NRMLAonline.org.

FHA Info 16-07 states that alternative certification language for affected states was provided in Mortgagee Letter 2016-05, also published onFebruary 12.

Mortgagee Letter 2016-05 also codifies language contained in Info #15-89 (published in December 22, 2015) that FHA may grant 60-day extensions to servicers that are working with Eligible Non-Borrowing Spouses who are trying to establish legal title to their homes following the death of the last remaining borrower.

HUD Updates Property Preservation Guidelines

The Department of Housing and Urban Development doubled, to $5,000, the amount of funds it will reimburse servicers for fixing up properties that will be assigned to the Department, as part of a broader effort to consolidate and update preservation and protection (P&P) guidelines.

The changes announced in Mortgagee Letter 2016-02 took effect on February 1 and supersede previous guidance published in Mortgagee Letter 2010-18.

HECM servicers will eventually be able to upload P&P packages through HERMIT, but the online system is still being updated.

HERMIT Transition Details

The Federal Housing Administration said its Home Equity Reverse Mortgage Information Technology (HERMIT) system will be unavailable from 7:00 PM (Eastern) on March 16, 2016, to 8:00 AM (Eastern) on March 21, 2016, while the platform transitions to its new service provider, Reverse Market Insight, Inc. (RMI).

According to FHA Info #16-09, published on February 17, there will be no changes to the HERMIT system's functionality as part of the transition to the new host data center. Mortgagees' system access user IDs and passwords will remain unchanged. Get more details at NRMLAOnline.org.

Reasons for deciding against obtaining a reverse mortgage

THE AGING IN PLACE SURVEY PROVIDED A list of 13 reasons for the decisions to not obtain a reverse mortgage. Study participants who decided against a reverse mortgage after the mandatory counseling session indicated three top reasons for this decision: a desire to own their home completely free of any mortgages; the understanding that the amount of money from a reverse mortgage was too small; and finding another way to meet financial needs. Each of these three items was selected by about a third of the study respondents (32%).

The perception that the costs of a reverse mortgage were too high and a desire for the home to remain in the family and/or leave the home as an inheritance to children (28% each) ranked among the top-five reasons for not obtaining a reverse mortgage.

Almost a quarter of study participants, 22%, provided individual reasons for their decision. RM

Reason not Taking RM

	Percentage
Personally ineligible	17%
Property ineligible	22%
Spouse under 62	3%
Costs of RM too high	28%
Amount of money from RM too low	32%
Desire to keep home in family	28%
Desire to own home with no mortgage	32%
Desire to sell home and move	6%
Family opposed to RM	9%
Found another way to meet needs	32%
RM process too complicated	14%
Did not trust loan officer	10%
Financial professional advised against RM	2%
Other	22%
Don't Know/Refuse/Missing	8%
Sample size	*467*

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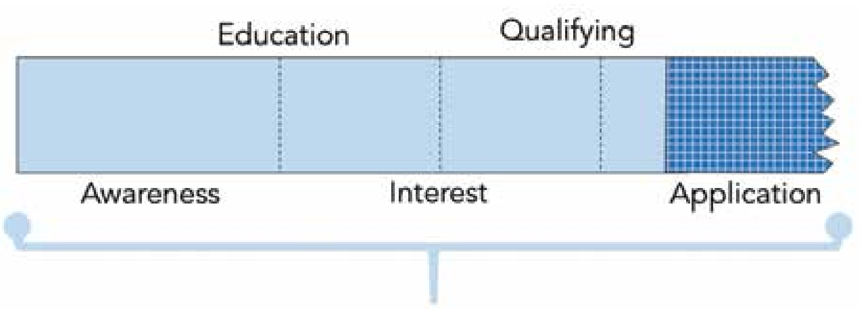

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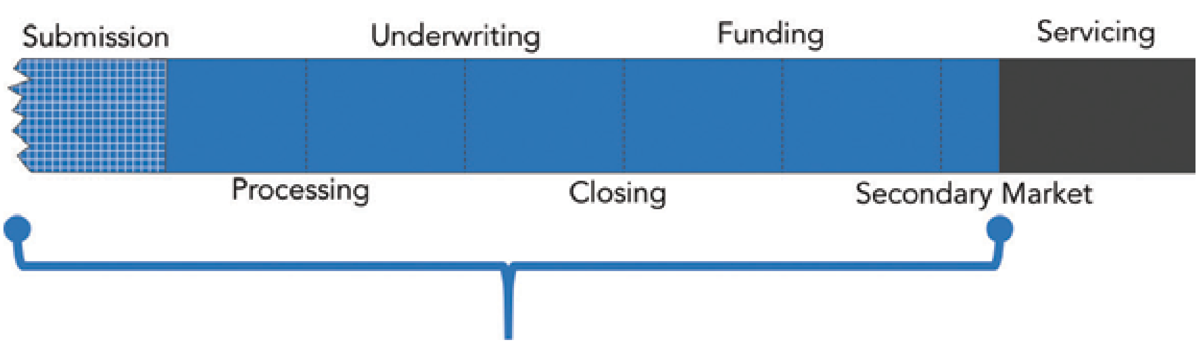

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