Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association
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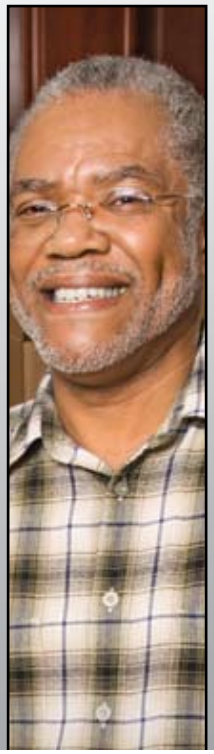

NRMLA
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REVERSEVISION

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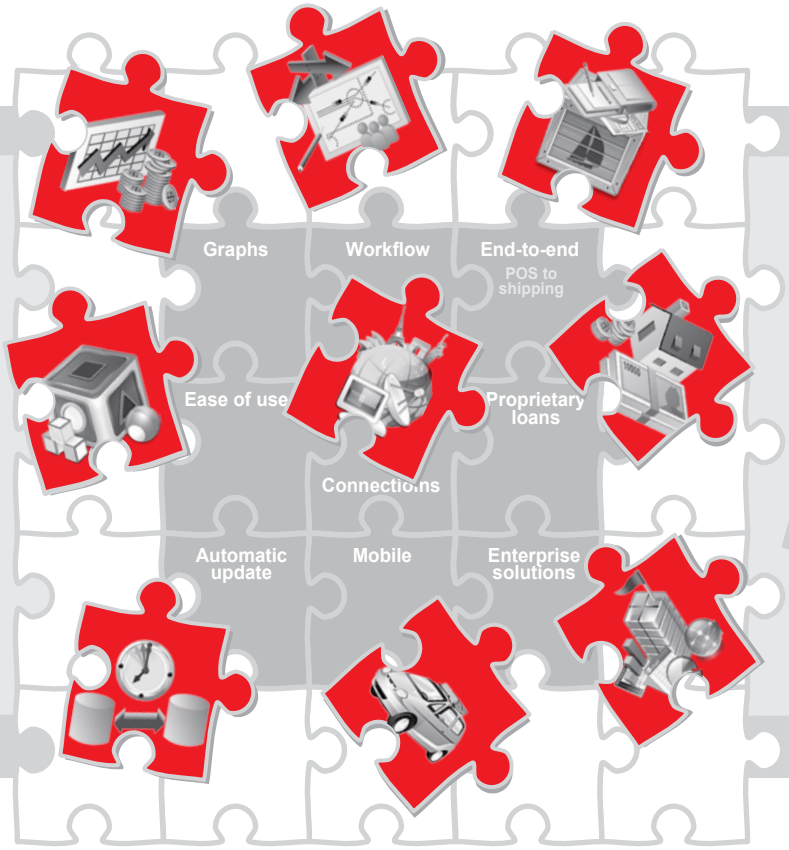
ReverseVision Suite is the leading reverse mortgage origination solution for mid to large sized organizations. It covers all aspects of the origination process from prospect to closing and shipping.



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By John Marttila, Marttila Strategies

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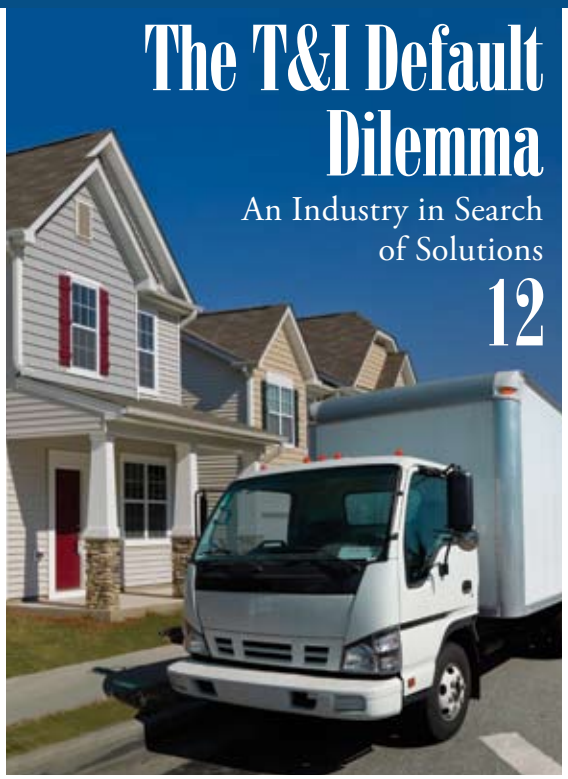

The T&I Default Dilemma

An Industry in Search of Solutions

HECM Saver:

Looking back at the first 120 days of the newest HECM product

NRMLA
National Reverse Mortgage Lenders Association

Reverse Mortgage

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NRMLA
National Reverse Mortgage Lenders Association

Balanced Viewpoint

By Peter Bell, President of NRMLA

A Call for Member Advocacy

Last year, during our Washington Policy Conference, 35 of our members visited the offices of 50 Senators and Representatives. The issue at the time was a proposed $250 million appropriation for the FHA insurance fund contained in the President's budget and needed to preserve the HECM program. This need was eventually filled instead by other changes in the HECM program made by HUD. But our members who visited the Hill felt they had opened up an important communication channel with the legislators who determine the program's fate.

Now, a year later, as we prepare for another Policy Conference set to begin May 10, we find ourselves with a new set of issues that might best be dealt with one-on-one between constituents and their Congressional representation.

The budget cutting fervor in Congress, fueled more by rhetorical than sensible arguments, is likely to result in a number of government functions being cast aside. In the end, an unyielding commitment to "sound-bite driven" goals, such as cutting $100 billion from the budget before determining if that objective can be realistically achieved without disrupting services that many Americans rely upon, will cause further dislocation in our economy.

Will we recover over time? Probably. But many will be adversely impacted in the near term as their employers are forced to shift to a new paradigm. Certainly the mortgage industry is one area that might not offer as many opportunities in the future as it has in the past. Rolling back the scope of FHA may result in a reduction in this sector. Niche products offered by HUD, including those in smaller programs like HECM, might face the chopping block as adjustments are made to shrink government and reduce perceived "tax-payer risk."

On one hand, the HECM program has come through the first volley of the new budget season in relatively good shape with the White House budget requiring no new credit subsidy. In developing the budget for FY 2012, the Office of Management & Budget and HUD have determined that recent program changes, plus an improving economic outlook, will result in HECM generating enough revenue to cover the cost of claims.

On the other hand, HUD faces broader challenges from some newly elected Tea Party-inspired members of Congress who are calling for the Department's complete elimination. Even among those who accept HUD's continuation, there is discussion of reducing its scope of activities. In fact, even within FHA itself, thought is being given to paring back programs to focus exclusively on insuring mortgages for lower income borrowers, a much narrower role than FHA has traditionally fulfilled.

Housing advocates argue that FHA was never intended to focus exclusively on loans to lower income borrowers. Its mission has been to support housing overall, assure a continued flow of credit to homeowners and stimulate the economy. It was never intended to be income-targeted. Reducing its role would be a major change in purpose and intent. Furthermore, redirecting FHA towards insuring loans to weaker borrowers only would make it costlier in the long run. "You can't have a health plan that only insures those who are ill," is an analogy often used to explain FHA's broader mandate. You need healthy clients paying into the fund to help support those who pose greater risk.

All this rhetoric about budget cutting and shrinking government could ultimately have an impact on the HECM program, leading to it being scaled back or eliminated. So, while we have dodged the first bullet by having OMB score the program as "subsidy neutral" this year, battles with the other government forces lie ahead.

If you believe it important for HUD to survive, for FHA to insure mortgages for all Americans and for the HECM program to continue, you must let your elected officials hear your concerns. If eliminating this activity is not what you intended in the most recent election, you better let them know. Fiscal conservatives in Congress, particularly those who campaigned for smaller government and deficit reduction, believe they have a mandate to hack away at federal programs indiscriminately.

It is important that they hear from you, the constituents who sent them to Washington, and are told that it was not your intent to have them cut programs without evaluating the real impact of anything they scale back or eliminate. They must be educated on the HECM program, who it serves, how it operates and why it is structured the way it is. They must be made aware of the dire consequences if the program disappears — the consequences for both the seniors we serve, as well as for your company and employees.

If cutting back HECM would mean fewer older homeowners would be able to sustain themselves and more of our industry's participants could lose their jobs, the cost to our society would be great. The government would end up paying more to support these dislocated folks in other ways.

We must shift the conversation from a highly ideological discussion of shrinking government to a more pragmatic one about government continuing to do things that help sustain us all. That shift will only occur, in regards to the FHA programs with which we work, if all of us get involved in the effort.

—P.H.B.

Reverse Mortgages as a Solution

The Results of NRMLA's Consumer Experience and Perception Study

By John Marttila, Marttila Strategies

National headlines continue to decry the poor state of the nation's economic climate. These news stories do an excellent job of capturing the public's collective fiscal anxiety, but rarely convey what individuals can do to empower themselves and alter their own personal financial landscapes.

The issue of economic empowerment is especially acute in the senior population—a community that is often misunderstood and misrepresented when it comes to the debate over personal financial management.

To cut through the rhetoric and misinformation, a national survey of seniors (and their adult children) was conducted in order to get an accurate snapshot of the key financial issues facing our nation's seniors.

In an effort to better understand public attitudes toward reverse mortgages, Marttila Strategies conducted six focus groups during late September 2010, and three national surveys during the final two weeks of October 2010. The research was extremely informing and it revealed a number of key strategic opportunities that we believe should guide NRMLA's public policy advocacy during the coming years as it seeks to increase public acceptance of reverse mortgages.

Six Focus Groups: September 28-30

Three National Surveys: October 16-30

Three demographic cohorts were targeted for research:

(1) Seniors (62+) who have held a reverse mortgage for a minimum of two years,

(2) Seniors (62+) who own their own home, whose mortgage balance is no more than 50% of their home equity, but who do not hold a reverse mortgage,

(3) Adults (45+) with at least one surviving parent. Respondents indicated that their parents owned their homes and that they believed the mortgage balance on their parents' homes was no more than 50% of their home equity.

We began the research program by conducting six focus groups — two from each of the three target cohorts. The focus groups were informing in their own right and they also made an important contribution to the question wording and strategy of the national surveys. After the analysis of the groups was complete, we conducted three separate national surveys — of 600 persons each — among the target demographics.

The information gleaned from the surveys was unsettling, and yet, wholly unsurprising:

Continued on Page 8

Rarely does a research program provide such decisive results as this one has.

Continued from Page 7

- Seniors (and their adult children) are deeply worried about the current economic situation, and the consistent sentiment is that the nation is facing "tougher times" ahead.
- An overwhelming majority of seniors think that their best financial strategy is for them to pay their bills and not worry about leaving an inheritance. Their adult children agreed.
- Seniors want to stay in their homes for the rest of their lives; and
- More than 40 percent of the respondents worry that they will not have enough money in the future to lead the kind of life they would want.

As the conversation turned from economic woes to potential solutions, reverse mortgages emerged as not only a viable, but also an effective method of facing difficult economic circumstances.

Rarely does a research program provide such decisive results as this one has. The research clearly shows:

1. **ENTHUSIASTIC SUPPORT FOR REVERSE MORTGAGES:** Seniors who hold reverse mortgages are delighted with the product and give it exceptionally high ratings. These attitudes belie the negative accounts that have been widely reported in the media.
2. **PLAIN DEALING, FEDERAL PROTECTIONS:** Further, seniors with reverse mortgages believed they understood the terms of the product, were not pressured to buy it, were not misled and benefitted from the mandatory financial counseling required by federal regulations. Again, the research is unmistakably emphatic on this point; another finding that counters widespread media presumptions.
3. **PROVIDING A REAL SERVICE:** Nearly half of the seniors who hold reverse mortgages would struggle to pay their monthly expenses — AND/OR — stay in their home without their reverse mortgages. The research is unmistakably clear on this point: seniors use reverse mortgages because they need to do so.

What's more, nearly 25% of seniors without a reverse mortgage worry they will not be able to cover their monthly expenses in the future without supplemental income; 17% worry they will have to leave their home without supplemental income — clear future problems.

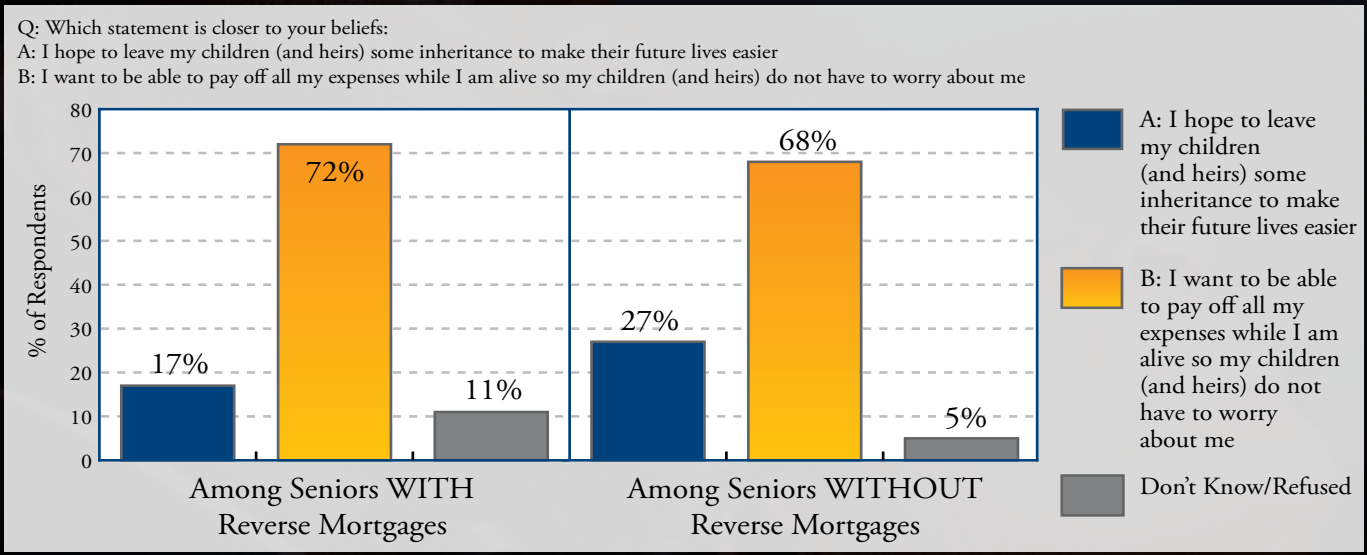
4. **THE IMPORTANCE OF STAYING IN THEIR HOME:** 80% of seniors want to stay in the home in which they currently live for the rest of their lives. 85% of children with at least one living parent who own their home believe their parents would like to stay in their home for the rest of their lives.
5. **INTERGENERATIONAL CONSENSUS REGARDING RETIREMENT:** Seniors with and without reverse mortgages believe the best financial strategy for their remaining years is to pay their own bills so their children will not have to worry about them. And adults with at least one living parent do not want their parents to worry about an inheritance for them; they want their parents to take care of themselves. This really is a clarifying piece of sociological research.

In this regard, 40% of seniors with reverse mortgages involved their children in their decision to obtain a reverse mortgage. Of those children who were involved, 65% approved of their parents decision to obtain a reverse mortgage.

6. **HARD TIMES:** The three surveys documented that these are hard times in America: all three cohorts are deeply worried

1. Agreement about Independence

There is intergenerational consensus regarding retirement. Seniors with and without reverse mortgages believe the best financial strategy for their remaining years is to pay their own bills so their children will not have to worry about them. And adults with at least one living parent do not want their parents to worry about an inheritance for them. They want their parents to take care of themselves.



about their current economic situation and are only slightly more optimistic about their future economic situation. The three surveys confirm widely documented polling on the profound economic anxiety that a majority of American's feel.

And for many, their economic future is even more worrisome: seniors and their adult children believe the current generation of adults will face a much more challenging economic future than their parents did; another very informing piece of sociological/economic research.

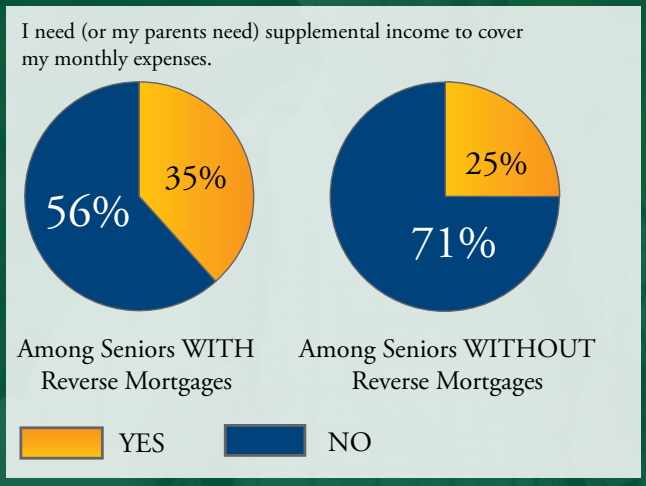
7. A TARGET AUDIENCE NUMBERING IN THE MILLIONS: There are currently more than 36 million seniors in the U.S. – the majority of whom own their homes. While the research indicated that the more well off seniors were less responsive to the arguments for reverse mortgages (understandably), that still leaves a potential audience of millions of seniors for reverse mortgage marketing.

More detailed results follow in the accompanying graphics.

(*Story and tables continue on following page*)

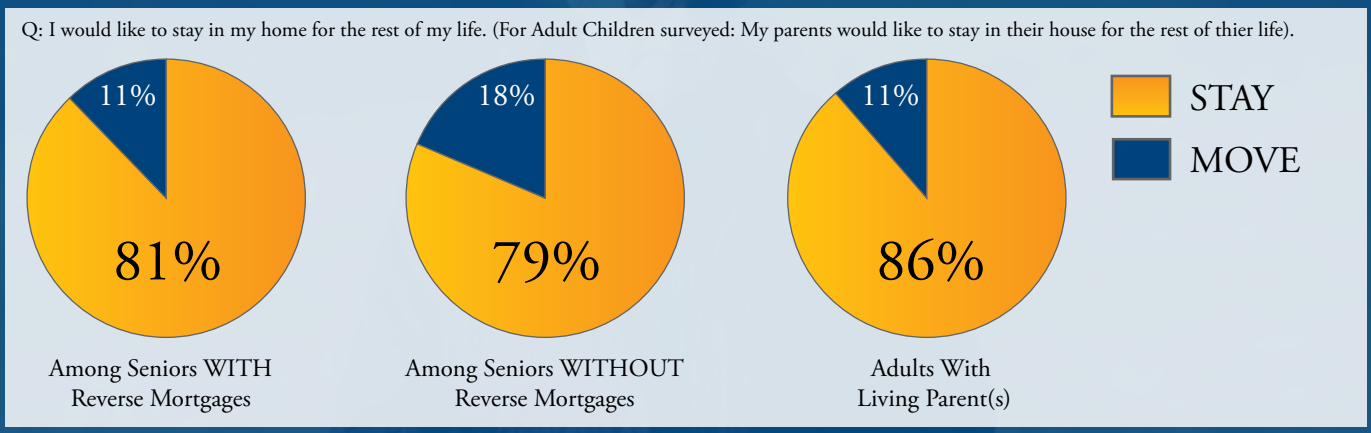
4. Money Trouble

Many seniors believe they will not be able to cover their monthly expenses without supplemental Income.



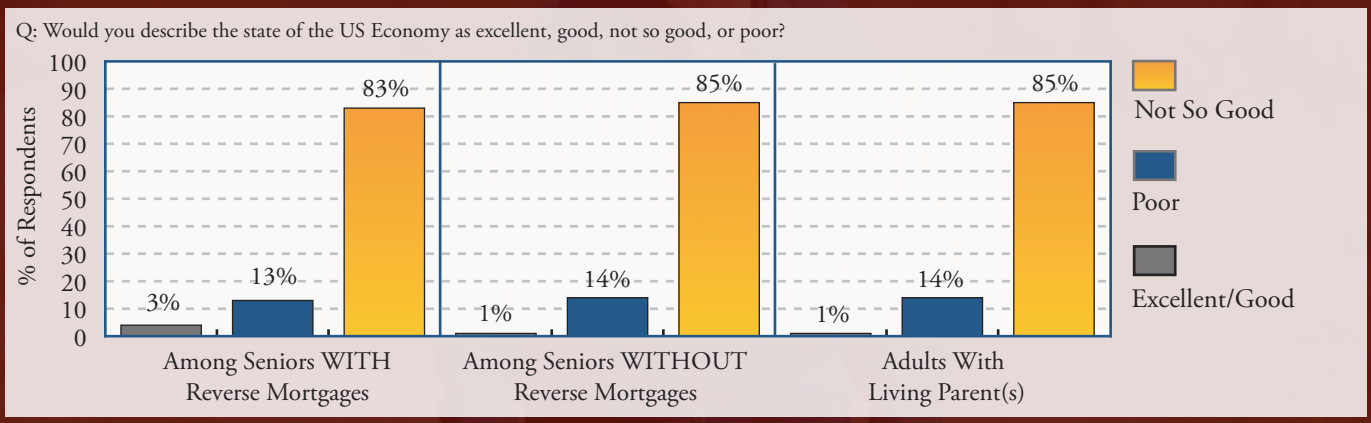
2. Staying At Home

80% of seniors would like to stay in the home in which they are currently living, a desire their children understand.



3. Concern For the Future

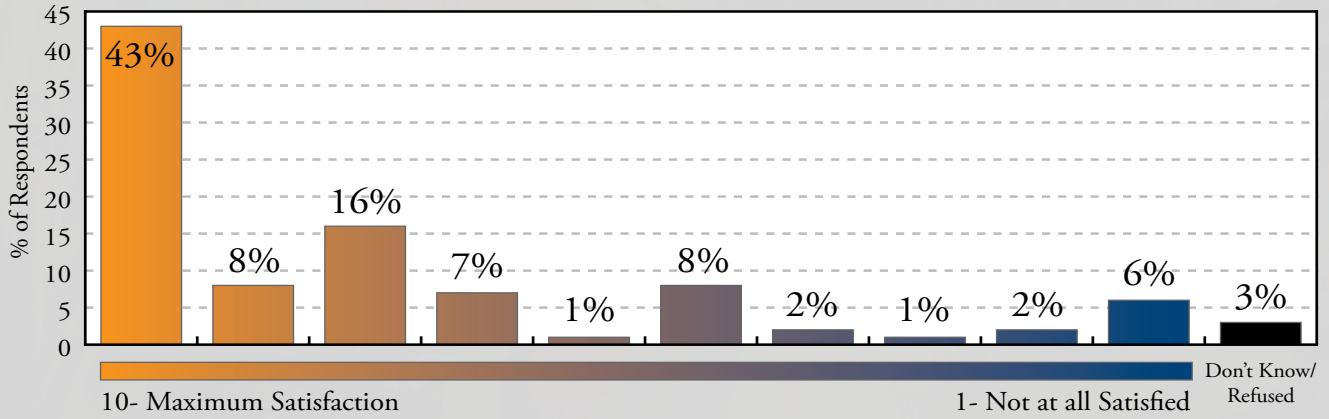
All respondents expressed a deep pessimism about the state of the American Economy. Approximately 85% described the state of the US Economy as "Not so good" or "Poor."



5. Votes of Confidence

Seniors with Reverse mortgages give the financial product exceptionally high ratings.

Q: Please rate your satisfaction with your reverse mortgate on a 10-point scale, with "1" representing not at all satisfied, and "10" representing a maximum level of satisfaction. What number would you use to characterize your satisfaction with your reverse mortgage? Choose any number between "1" and "10."



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In addition, a clear picture emerged that those seniors with reverse mortgages felt that there were financial safeguards in place to protect them. In fact, reverse mortgages are replete with consumer safeguards. They are the only financial products that require independent counseling. These counseling sessions cover all the terms and conditions pertaining to a reverse mortgage, and counselors are required to help a senior determine if they qualify for other government programs. Finally, reverse mortgages have clear fee limits determined by the U.S. Department of Housing and Urban Development.

What is the bottom line?

Nearly half of the seniors who hold reverse mortgages would struggle to pay their monthly expenses and/or stay in their home without the aid of a reverse mortgage. Reverse mortgages are a safe, cost-effective retirement security solution that provide financial certainty and ensure quality of life for older Americans.

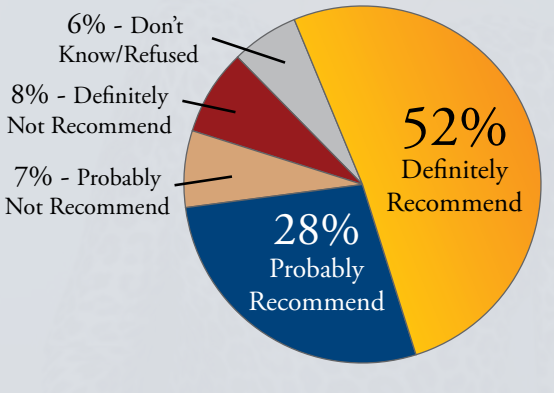
Opponents of reverse mortgages issue claims that make great sound bites—but do little to bring clarity to the financial woes of older Americans. The bottom line is…

Seniors use reverse mortgages because they need to… and because they work.

6. Highly Recommended

More than 50% of seniors with reverse mortgages would definitely recommend them to a family member or friend.

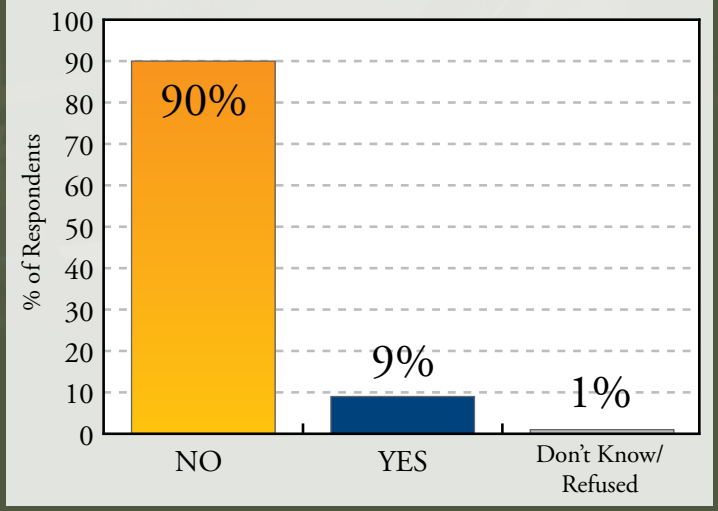
Q: Based on your entire experience, would you recommend a reverse mortgage to another family member or friend? Would you definitely recommend, probably recommend, probably not recommend, or definitely not recommend?



7. No Pressure

90% of all seniors with reverse mortgages felt no pressure to proceed with a reverse mortgage.

Q: And as you were making the decision whether to proceed with the reverse mortgage, did you feel any sales pressure to agree to the reverse mortgage?



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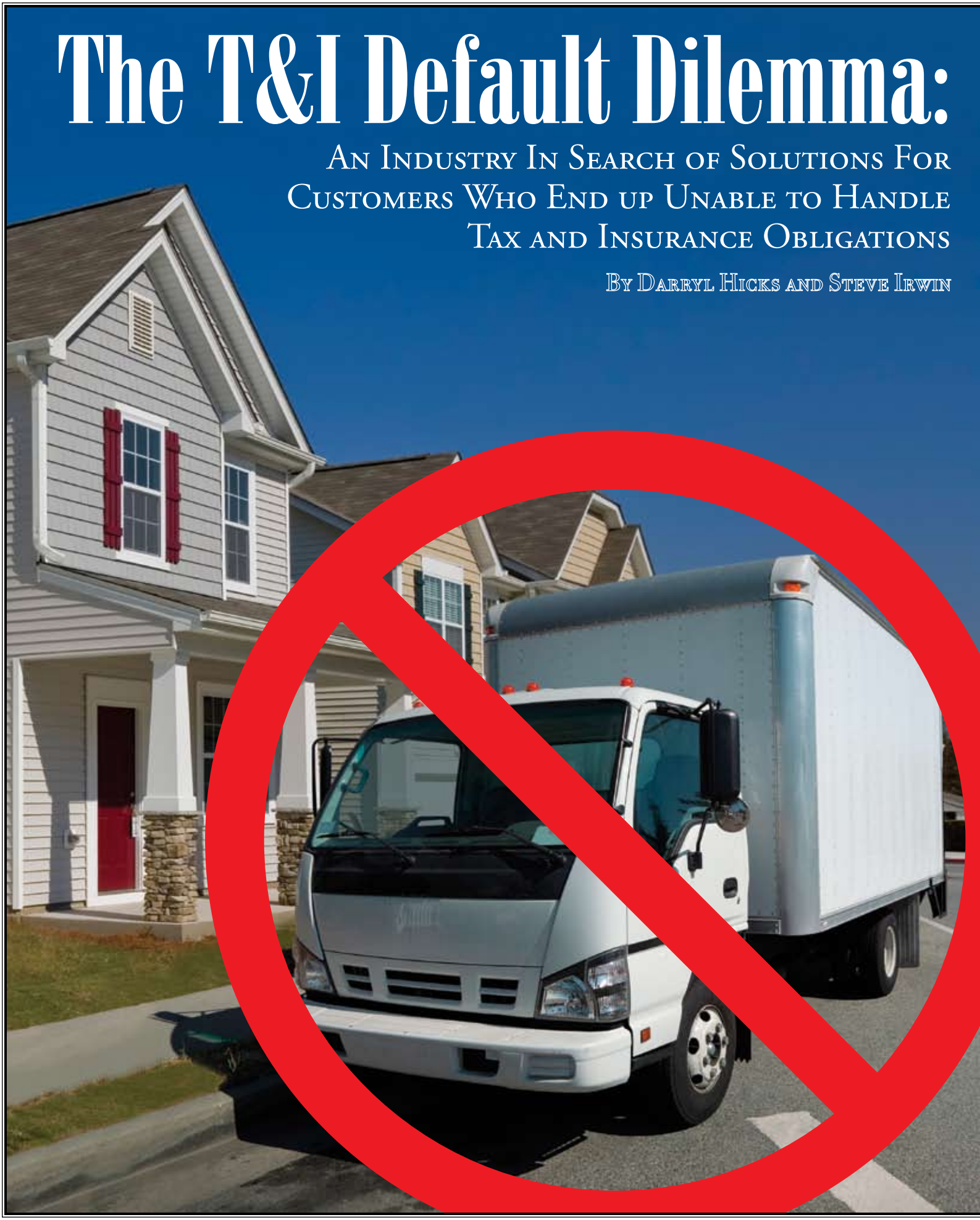
The T&I Default Dilemma:

An Industry In Search of Solutions For Customers Who End up Unable to Handle Tax and Insurance Obligations

By Darryl Hicks and Steve Irwin



Trust is an inherent component of any act of lending. Whether a lender is providing you money or a bicycle or a cup of sugar, the lender trusts the borrower will act responsibly.

One of the primary responsiblities of reverse mortgage borrowers is that they keep their property taxes and homeowners insurance current. This is a logical expectation: In a reverse mortgage transaction, a lender is providing funds against equity in the home. They are risking that this home equity will provide the borrower the means to repay the loan. If taxes are not paid, the government will have a lien on the home blocking the lender. If there is no hazard insurance and there is a fire or other catastrophic occurrence, the lender is left with no collateral.

Counselors are required by federal regulation to discuss the taxes and insurance obligations with a potential borrower and most experienced loan officers emphatically reinforce the point during the initial consultation.

And yet, despite all this, there are borrowers who do not live up to these responsibilities.

In most situations, it is because the borrower cannot. A change in their economic situation — a downturn in stock values, an increase in medical expenses — cuts into their cash flow.

Banks that service reverse mortgages identify files that are in "technical default" — that is, loans that the Federal Housing Administration considers to be out of compliance because the homeowners fell behind in their tax payment, let their insurance lapse or both. The first response is always to try to work out repayment plans to bring them current.

No reverse mortgage lender wants to see an elderly person lose his or her home. And nobody benefits from a foreclosure, not the homeowner, not the bank and not the government. A foreclosure is stressful, sad, consuming and costly to everyone.

But when a borrower fails to pay a required property charge, the loan is deemed to be out of compliance with the provisions of the mortgage, and the FHA — which insures virtually all reverse mortgages through the Home Equity Conversion Mortgage program — considers the loan to be in technical default.

There are always defaults in the housing sector. In the midst or the wake of a severe economic downturn (as we now find ourselves in), there are always going to be more defaults. We are not yet certain how many there now are nationally attached to reverse mortgages. HUD is currently compiling that data. Loan servicers were mandated in Mortgagee Letter 2011-01 to report the status of all such loans to FHA by February 7, 2011. There are estimates that approximately 6% of outstanding HECMs might fall into this category.

On the heels of the subprime mortgage crisis, any foreclosure story is a headline maker. But what is actually most interesting right now is not the number of seniors facing default, but the programs being put in place to help those in need solve their problems.

Defaulted Loans in Pending Status

In June 2007, FHA provided informal policy guidance, via an e-mail to servicers, for cases that are now commonly referred to as "T&I" defaults. A loan servicer was to submit to FHA a monthly schedule of all accounts that entered a T&I default status in that month. The schedule was to include the FHA case number, borrower's name, default type (tax, insurance or both), default amount, original appraised home value, current fair market home value, available net principal limit, maximum claim amount, property type, Unpaid Principal Balance, property address, the borrower's annual tax obligation, the borrower's annual insurance obligation, age of the youngest remaining borrower and other ancillary data elements.

Based on the schedule provided by the servicer, FHA's National Servicing Center would either approve or deny the account's acceleration and allow the loan to be called due and payable — or place the request on a "pending" status. There were some cases in which FHA denied the acceleration, while authorizing the servicer to continue servicing, and leaving intact the servicer's ability to assign the loan to FHA when the account balance reached 98% of the "maximum claim amount," a basic technical feature of the HECM program.

The most frequent decision from FHA, however, was to place requests for acceleration into a "pending" status, deferring the acceleration decision until a future date. This informal guidance was issued after several years of persistent efforts by the reverse

Continued on page 16

On the heels of the subprime mortgage crisis, any foreclosure story is a headline maker. But what is actually most interesting right now is not the number of seniors facing default, but the programs being put in place to help those in need solve their problems.

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mortgage industry to gain procedural clarity on the subject of technical defaults.

By notifying FHA of a borrower's T&I default, the loan servicer fulfilled its responsibility, obtaining recognition from FHA that the servicer performed its obligation and thus not jeopardizing the FHA Mortgage Insurance on that account. The decision by FHA to grant "pending" status to the vast majority of T&I default cases created a backlog of accounts in which the borrower(s) defaulted on the terms of the Loan Agreement, yet the loan servicers, lenders and investors were precluded from making any determination relating to the acceleration of the account.

On May 20, 2009, FHA issued informal policy guidance, via email, that informed HECM servicers that FHA would no longer issue "pending" status for those cases where the HECM borrower entered into a technical default. Upon curtailing this "pending" status, essentially a deferral policy, FHA did not offer any procedural guidance on what actions loan servicers should take regarding these technical defaults.

This lack of clarity created a situation whereby servicers continued to advance funds necessary to cure any technical defaults in order to protect their investors' recourse in the property. As a result of servicers continuing to advance funds, the number of HECM cases that are in technical default, with no acceleration action taken, has grown.

This lack of clarity created a situation whereby servicers continued to advance funds necessary to cure any technical defaults in order to protect their investors' recourse in the property. As a result of servicers continuing to advance funds, the number of HECM cases that are in technical default, with no acceleration action taken, has grown.

In recognition of the need to formalize policy and address the HECM loans in "pending" status, as well as subsequent cases lacking any formal status, FHA, NRMLA and other concerned stakeholders agreed to establish a work group to fully evaluate the magnitude of the T&I default situation, formulate solutions to cure accounts with a "pending" status, and devise policies and procedures to prevent defaults from occurring in the future.

The issues discussed within the work group over a period of a year helped shape what would become Mortgagee Letter 2011-01, thus providing the industry with valuable procedural guidance on servicing procedures relating to HECM technical defaults.

The HECM "Technical Default" Portfolio

In an effort to assess the incidence of technical defaults, NRMLA aggregated HECM servicer data and provided this compiled data to FHA. All data was gathered in August 2010. All parties contributing to this data-sharing effort agreed that no servicer specific or borrower specific information would be disclosed.

Through this collection of primary data, NRMLA found that 29,397 HECM cases were in technical default as of August 2010. This figure represented 5.87% of outstanding HECM loans in service at that time. The distribution of these defaults was as follows:

- 38.1 % of the defaults were Tax Defaults
- 31.7% of the defaults were Insurance Defaults
- 30.1% of the defaults were Tax AND Insurance Defaults

Of the total, approximately 75% had balances due for repayment of advances made by the loan servicer that were less than $5,000. Ten percent had balances due between $5,000 and $7,500. Approximately one percent was for amounts greater than $20,000.

A more detailed data analysis of the HECM technical default portfolio is now taking place since HECM servicers were required to report all current technical defaults by February 7, 2011, and all future technical defaults on a monthly basis.

Mortgagee Letter 2011-01

FHA communicates with lenders participating in its programs through issuance of Mortgagee Letters. These occasionally issued documents provide policy clarification, guidance and instructions to lenders.

FHA's terminology refers to the borrower as the "mortgagor'" and the lender as the "mortgagee." When a mortgagee is notified that a borrower is in arrears on property taxes and/or insurance, the FHA considers the loan to be delinquent. According to Mortgagee Letter 2011-01, the mortgagee must begin working with the mortgagor to bring the mortgage back into compliance at the earliest possible point. The mortgagee can either use any unused funds from the HECM line of credit to bring the charges current, or advance the proceeds from its own corporate funds and later seek reimbursement from the borrower.

ML 2011-01 gives a mortgagee 30 days to notify homeowners that their loans are no longer in compliance. The mortgagee must offer loss mitigation options that include, but are not limited to:

1. Establishing a realistic repayment plan for the delinquent property charge(s);
2. Contacting a HUD-approved Housing Counseling Agency (HCA) to receive free assistance in finding some viable resolution to their delinquency, or identifying local resources available to provide funds or homestead exemptions; and

3. Refinancing the delinquent HECM into a new HECM if there is sufficient equity to satisfy the existing mortgage and outstanding property charges.

ML 2011-01 provides a model letter to send to HECM borrowers making them aware of their delinquent status and reminding them of their legal obligations. The letter instructs borrowers to respond to the servicer within 30 days to begin the curing process, encourages them to seek assistance from a housing counseling agency (listed with phone numbers are National Council on Aging, CredAbility, Money Management International, National Foundation for Credit Counseling and NeighborWorks America), and provides a list of all loss mitigation options.

Within the mortgagee letter is a payment plan schedule to follow, if the borrower has the resources to pay back the funds advanced by the mortgagee. Repayment schedules range from three months (if the amount owed by borrower is $500 or less) to 24 months (if amount owed is $5,001 or more). If the borrower provides evidence that they cannot repay the amount owed in the agreed timeframe, the mortgagee may extend the repayment term up to 24 months.

If any borrower is unwilling to reimburse the mortgagee for property charges advanced on his or her behalf, or when all applicable loss mitigation options have been exhausted, and the mortgagor is unable to cure the delinquency, then the mortgagee may submit a due and payable request to FHA's National Servicing Center in Tulsa, OK. If the request is approved, the mortgagee may initiate steps to seek repayment of the loan.

FHA, IN CONJUNCTION WITH A CONSORTIUM OF HOUSING COUNSELING AGENCIES, HAS FORMED A TASK FORCE COMPRISING 125 COUNSELORS WHO ARE BEING SPECIALLY TRAINED TO DEAL WITH THESE CASES.

Remedial Counseling Task Force

The last thing anybody wants to do in these T&I default cases is call a loan due and payable, but at the same time the industry recognizes that for some people, there is no other option.

FHA, in conjunction with a consortium of housing counseling agencies, has formed a task force comprising 125 counselors who are being specially trained to deal with these cases. The counselors are receiving training to be fully knowledgeable about the HECM program, homeowners' responsibilities and options, the role of the loan servicer and the requirements it must adhere to, repayment plan options, assisting borrowers with personal budget management, tax deferral programs, insurance options, charitable and municipal resources, relocation options, and more.

Loan servicers, in reaching out to borrowers facing technical default, are urging them to contact one of the specialized counselors and to start working collectively with a counselor and the loan servicer to see if the case can be resolved through a repayment plan, assistance from family members, charitable assistance, municipal programs or any other available resources.

In some cases, food stamps, assistance paying utility bills or other resources might be available to defray some current living expenses, freeing up funds for repayment of T & I arrearages and covering these charges going forward. In other cases, family members often step up to the plate when they see what is at risk. (Would you rather pay your mother-in-law's taxes or have her move in with you?)

Soft Landing Pilot Program

As these counselors are being trained, a pilot program is getting underway in five U.S. cities to offer additional assistance.

The National Council on Aging, a consumer advocacy group based in Washington, D.C., has joined forces with NRMLA and FHA to coordinate what has become known as the "soft landing" pilot program.

The organizations agreed that as a threshold specialized counseling should be offered on a pilot basis to existing HECM borrowers who are at least $5,000 in arrears over non-payment of T&I and have been in technical default for a minimum of two years.

Non-disclosure agreements have been executed to protect consumers' privacy and loan servicers are coordinating calls with counseling agencies in Miami, FL, (Alliance for Aging), Detroit and Lansing, MI (Elder Law of Michigan), Houston, TX (Care for Elders) and Los Angeles (Insight Center for Community Economic Development).

This program has been funded by contributions from seven NRMLA members including Bank of America, Celink, Generation Mortgage, Genworth Financial Home Equity Access, MetLife Bank, Urban Financial and Wells Fargo Home Mortgage.

Reports from the counseling agencies that have begun the process is that in the large majority of cases they are finding solutions for delinquent borrowers, either by restructuring obligations or eliminating monthly expenses.

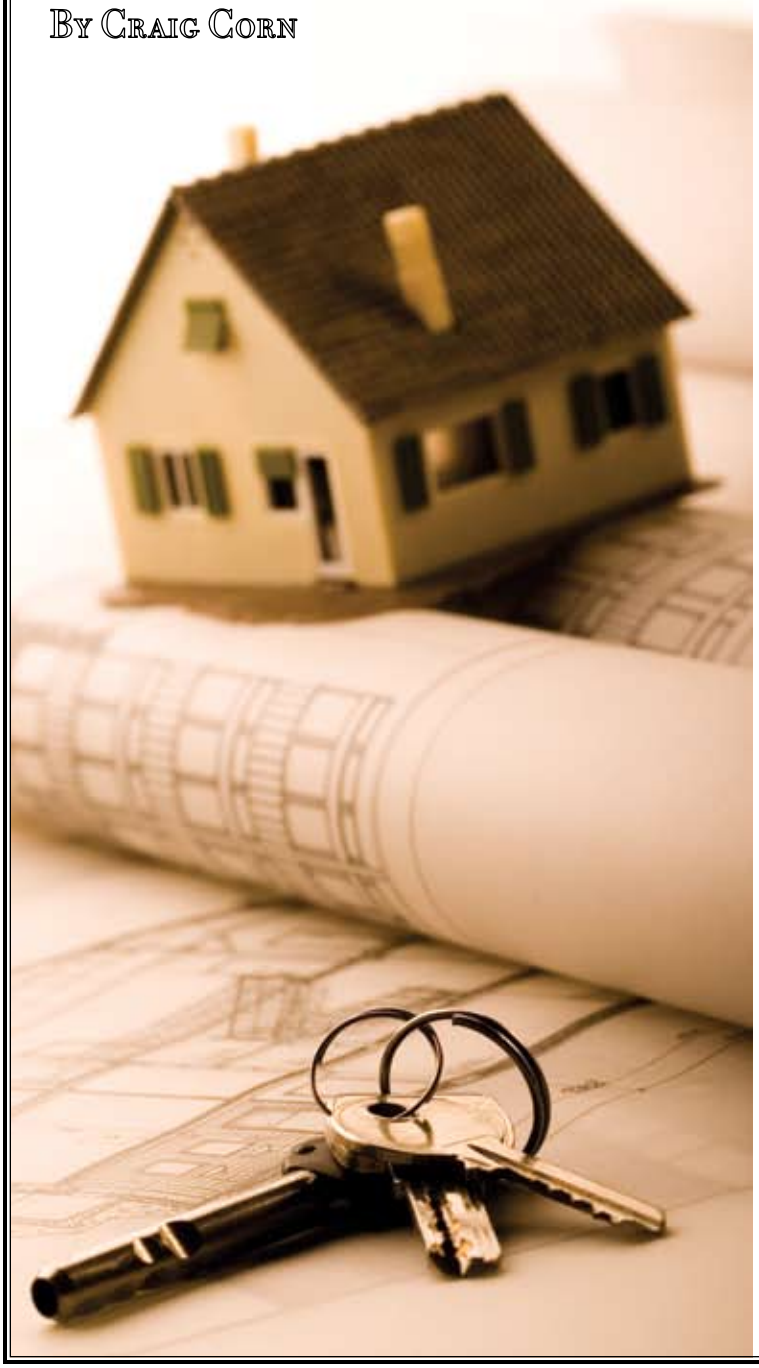
Attention, some financial savvy and awareness of available resources will be enough to mitigate the problems of some. But not of all.

We want to hear from you! Send your letters to the editor to:
reversemortgage@royalmedia.com

HECM Saver: The First 120 Days

A Look Back On the Rollout of the HECM Market's Biggest Product Launch in years

By Craig Corn



Much has been made of the first 100 days of a presidency...that critical formative period where a flurry of political activity takes place and the perceptions of a chief executive's character begins to be created in the hearts and minds of the public. Sometimes, that's all the time it takes for impressions to be established that can linger for the next four years, or beyond.

The same can well be said for product launches. Once the product is out for the world to view, for people to start kicking the tires and taking it out for a test drive, the public quickly starts to form perceptions. 100 days can actually be a lifetime for a new product, in terms of success or failure.

In the reverse mortgage realm, product launches have been a rarity. In fact, for over twenty years after its introduction, there was essentially no change to the product at all.

This past year has changed that paradigm completely, however. Since 2010, change has come fast and furious. First, the introduction of a "no fee" traditional reverse mortgage at the start of the year, then, six months later, the introduction of an entirely new reverse mortgage creature—the HECM Saver, a product designed to permanently alter the reverse mortgage landscape.

At least, that's been the buzz. But 120 days later, after the kicking of the wheels has taken place, one can now look back and ask, has the excitement been justified? Is HECM Saver truly an industry game changer, or will it be consigned to the dustbins of history?

As the first major reverse mortgage provider to introduce HECM Saver once the FHA announced its availability, MetLife Bank, N.A. has clearly placed a stake in the ground when it comes to its expectations for the product. There are many reasons for this strong show of support, and many reasons for the entire reverse mortgage industry to look upon the introduction of HECM Saver as a breakthrough. Think of it this way: for over two decades, one reverse mortgage product has appealed to two percent of the older American population. At last, an opportunity to appeal to the remaining 98 percent!

So, how have things gone? At MetLife Bank, fully one out of every five inquiries coming in right now are for HECM Saver, and the number is growing. By any standard, that would suggest that the product has not only been launched—it's lifted off.

There's more to the story than the numbers, however, because our experience these past four months suggests that the needs and interests of a HECM Saver customer are quite different than that of the more traditional reverse mortgage borrower. These consumers seem to be a bit more affluent and are less interested in using a reverse mortgage as a means of last resort. Instead, they are more interested in using it as a means of enhancing their retirement years and improving their financial planning options.

Perhaps a real example of an early adopter will help to illustrate the difference—someone who gravitated to the product because of its different value proposition. Stephen Pepe, a MetLife Bank Reverse Mortgage Consultant working in the Boston area, recently secured a HECM Saver for a 62-year-old homeowner who is also a small business owner without children. This person was looking to leverage the equity built up in his $700,000 home to purchase a luxury loft condo. His choice of product was the

Saver 250, which allows him to also secure a line of credit. The motivation behind this: he was interested in continuing to run his small business, but planned to access the growth that occurs on his credit line as a means to supplement his current lifestyle. Upon retirement, he will start drawing down principal.

If this sort of "lighthouse" customer doesn't seem to fit the demographic profile of the typical reverse mortgage borrower you're used to hearing about, you'd be correct. So far, HECM Saver borrowers have proven to be younger in age and a bit more affluent. The average home value for their properties is $350,000 as opposed to $250,000 for the traditional reverse mortgage property.

Part of the appeal rests with the fact that HECM Saver stacks up favorably against other financial alternatives, such as the Home Equity Line of Credit (HELOC). The "elimination" of the up-front MIP places it in the same ballpark, cost-wise, with other financing products. In addition, unlike a HELOC, the credit line actually grows each year, the lender cannot decide to "freeze" the loan (either by capping it or closing the line of credit), and it's a non-recourse loan, meaning if the value of the property decreases, you don't owe the originator anything more than the value of the home. Combine that with a competitive interest rate, no monthly payments, the fact that income and credit requirements are not impediments to availability, and the fact that it's government-insured, and what you have is a product that more than holds its own.

What this means for the future of reverse mortgages remains to be seen, but there are strong hints of the potential that's there. Among other things, HECM Saver can be a powerful financial planning tool to provide retirement funding that can help seniors avoid outliving their assets, be a consideration when contemplating long-term care and estate planning, enhance one's lifestyle, and provide another much-needed cash flow source.

For instance, the use of HECM Saver can provide America's seniors with a means to bridge the Social Security gap, an issue of increasing importance to thousands of older Americans turning 62 every day. Although one can access Social Security benefits starting at age 62, the longer one delays taking advantage of the program, the greater the benefit. Although the traditional reverse mortgage is one way to bridge the gap that's created by deferring the receipt of Social Security payments, what we've seen is that with the higher up-front cost of a traditional HECM, there's little consumer appetite to "bridge the income gap" in this manner. HECM Saver, in contrast, with its significantly lower up-front costs, makes the price paid for bridging the income gap more attractive.

As more and more individuals start to realize this potential, success will breed additional success, and positive perceptions will continue to grow. That's good news for the HECM Saver product, the reverse mortgage industry, and the next 120 days and beyond.

Craig Corn *is vice president,* **MetLife Bank, N.A.***, based in Convent Station, New Jersey. He can be reached at ccorn@metlife.com*

Innovation

Ibis and ReverseVision: The Origination Technology Zoom

By Shannon Hicks

If you consider just how far technology for calculating reverse mortgage proceeds and generating applications has come, one could compare it to the advances of the Wright brothers first flight to Neil Armstrong taking man's first steps on the moon without blushing too much. As the FHA reverse mortgage developed from infancy and matured in recent years, origination technology has been an indispensable tool for lending professionals facing rapidly changing products and regulations.

"A completely different place than where we began"

Ibis Software formally entered the reverse mortgage realm in 1994 with RMO, a program which calculated a hybrid reverse mortgage plan known as the Hartford Lifetime Income Plan. Speaking of beginnings, the ubiquitous side-by-side "comparison sheet" was first debuted by Ibis Software in 1995 and "quickly became the de facto standard for the industry" said Ibis founder Gerry Wagner.

ReverseVision began operations in 2003 with only three primary active lenders in the reverse mortgage space. The issue at that time was addressing the needs of both brokers and retail sales with brokers playing a key role in expanding reverse mortgage market share nationally. ReverseVision focused on the "need of our customers to originate and close loans" in the most efficient way, according to founder and CEO Thomas Martignoni. Even as the role of the broker rapidly shrinks the need for adaptive origination technology remains greater than ever with rapidly changing regulation.

> In 2009 both Ibis and ReverseVision launched competing products that allowed counselors and consumers to access and "share" reverse mortgage comparisons and proposals electronically.

"Keeping the lender in business"

Technology improvements in ease of use, portability and implementation are wonderful but in the end are meaningless if the lender cannot stay in business due to regulatory changes. "We spend more time and resources addressing compliance than anything else today," said ReverseVision's Martignoni. Just how much? According to ReverseVision several hundred thousand dollars are spent each year for outside legal counsel insuring lenders are protected with compliant applications, proposals and procedures in their software.

Both companies have had to face a myriad of policy changes, recent regulation and legal terminology that otherwise would have left lenders paralyzed to write business had it not been for rapid implementation by software developers. This is where the true value of "outsourcing" becomes a tremendous advantage for both the medium and small lender. Recent changes in RESPA, TILA, Reg Z and HECM counseling just to name a few, required immediate updates to their software platforms. Then came the state-specific disclosures. Imagine digging through file cabinets for the latest California disclosure all the while praying the document is not out dated and thus a compliance risk. While lenders begrudgingly adjusted to new regulations it was easy to overlook the potential fallout without lending platforms acting quickly. During the last major RESPA changes I reached out to both companies and found that behind the scenes there were many late nights (sometimes all-nighters) spent preparing lenders for the effective date. It was this quiet commitment that allowed industry production to continue moving forward.

"Singing off the same sheet of music"

HUD reverse mortgage counseling has expanded in recent years with an increased emphasis not only on product education

Continued on Page 27

Looking for a Wholesale Lender?

If you are looking for an investor to sell reverse mortgage production, the following companies participate in NRMLA's Wholesale Lender Council

To get more information, visit NRMLAonline.org.

NRMLA does not endorse any of the companies listed. This is for informational purpose only.

Who's Who in Reverse Mortgages

Profiles of NRMLA Member Companies

Bay Docs, Inc.

Since 1994, **Bay Docs**' core focus has been reverse mortgage document preparation. Bay Docs is the document provider of choice for many of the top 20 reverse mortgage lending institutions, including two of the top three. We remain the only document preparation company dedicated solely to the reverse mortgage industry.

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Celink's Reverse Mortgage Servicing Mission is threefold.

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Visit celink.com for a full Corporate Overview.

John LaRose, CEO: john@celink.com (517) 321-9002

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

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Known as America's First FHA Reverse Mortgage Lender, **James B. Nutter & Company** is a national mortgage banking firm licensed in 50 states, the District of Columbia and the Commonwealth of Puerto Rico. Founded in 1951, the company's headquarters are located in Kansas City, Missouri where the firm specializes in originating FHA, VA and Conventional loans. In 1989, James B. Nutter & Company was honored to close the first FHA HECM Reverse Mortgage in the nation for Ms. Marjorie Mason of Fairway, Kansas.

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The Bank offers a wide range of federally-insured HECM loan options, as well as skilled, straightforward guidance that simplifies the loan process and helps customers make informed decisions. As a member of the National Reverse Mortgage Lenders Association (NRMLA), MetLife Bank adheres to the highest ethical standards in the industry.

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ReverseVision

ReverseVision is a leading technology company in the reverse mortgage industry. 10,000 users in 1000 companies rely on ReverseVision to originate reverse mortgages.

Loan officers like the simplicity of ReverseVision and the powerful graphical representation of reverse mortgages. Lenders

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ReverseVision is privately owned and independent and focuses on reverse mortgages exclusively. The company is located in North Carolina and employs a team of leading software engineers and reverse mortgage specialists with a combined experience of over 50 years.

www.reversevision.com
(919) 834-0070
info@reversevision.com

Reverse Mortgage Solutions

Reverse Mortgage Solutions (RMS) is a premier provider of hosted reverse mortgage loan servicing software as well as the nation's leading authority on all aspects of reverse mortgages — specializing in reverse mortgage servicing and sub-servicing. The RMS suite of reverse mortgage technologies automates the entire reverse mortgage life-cycle from loan origination to loan servicing to Ginnie Mae HMBS issuance and master servicing.

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Urban Financial Group & **Reverse it!** offer a complete line of products and services in the retail and wholesale reverse mortgage industry respectively. Consistently ranked among the top ten lenders in the nation, Urban Financial Group and Reverse it! have built their success using a turn-key, streamlined approach for their clients to assure all loans are closed accurately, quickly, and above all - ethically. As a pioneer in the reverse mortgage industry, Urban Financial Group also uses its strength, experience, and proud NRMLA affiliation to lobby for fair laws that protect seniors from abusive and predatory practices. Visit us at www.reverseit.com

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but product choices available in the marketplace. Borrowers considering a reverse mortgage often times were confused as the HUD counselor had a generic product comparison that often times differed from the rates quoted by the lender. This left the door wide open for confusion and mistrust. Could a lender have mailed a copy of the comparison to the counselor prior to the counseling session? Definitely not as a firewall of independence is to be maintained between lenders and counseling agencies not to mention the delays this would create.

Once again, origination technology solved this vexing issue. In 2009 both Ibis and ReverseVision launched competing products that allowed counselors and consumers to access and "share" reverse mortgage comparisons and proposals electronically. Ibis launched

> Both companies have had to face a myriad of policy changes, recent regulation and legal terminology that otherwise would have left lenders paralyzed to write business had it not been for rapid implementation by software developers.

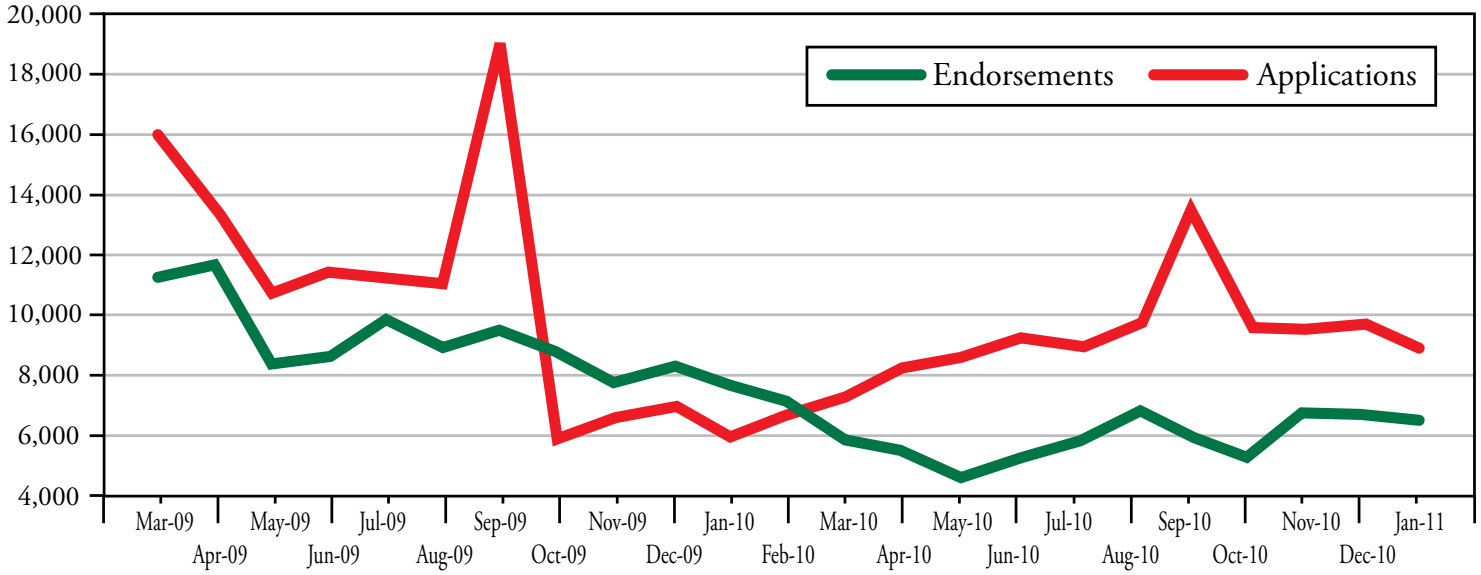
their "Sandbox" counseling tool in March 2009. The Sandbox is a personalized, unique website which the borrower, counselor, advisor and family members can access showing the full comparison, proposal and other supporting documentation. ReverseVision's "counselingdocs.org" provides similar services and also allows for the counselor and borrower to modify loan terms and run multiple scenarios. Both only require a unique code and basic borrower information to view. Confusion over numbers should continue to decrease as more counseling agencies continue to adopt this technology.

"Coming soon to your LOS"

What lies ahead for loan origination technology? Both ReverseVision and Ibis have successfully established their web based calculators for both consumers and lenders, one inside a reverse mortgage CRM. ReverseVision plans to release a tool for pulling FHA case numbers through their program bypassing the need to access FHA Connect outside of the LOS. Ibis recently launched a HECM for Purchase calculator online for consumers. As products and regulations rapidly evolve so will loan origination technology allowing lenders to do what they do best: attract borrowers and originate loans. RM

HECM Volume Trends

Below is a graph of HECM activity by volume from March, 2009, through January 31, 2011.



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

The Nation's 20 Largest HECM States

Below is a ranking of HECM activity by state from January 1, 2011, through January 31, 2011.

RANK	RANK CHANGE	STATE	LOANS ISSUED	Y-o-Y % CHANGE	MAX. CLAIM AMOUNTS	MARKET-SHARE
1	0	California	937	-14.4%	$397,043,691	14.5%
2	1	Texas	594	8.6%	$97,833,000	9.2%
3	-1	Florida	454	-41.0%	$94,111,469	7.0%
4	0	New York	374	-17.6%	$137,728,830	5.8%
5	4	Pennsylvania	278	5.3%	$52,099,550	4.3%
6	1	Virginia	274	-2.1%	$68,036,336	4.2%
7	1	New Jersey	268	-3.6%	$81,627,900	4.1%
8	-3	Maryland	202	-48.3%	$49,950,930	3.1%
9	1	Washington	188	-23.9%	$56,026,900	2.9%
10	6	North Carolina	186	45.3%	$41,422,400	2.9%
11	2	Georgia	162	-8.0%	$29,242,767	2.5%
12	-6	Illinois	161	-44.9%	$31,536,015	2.5%
13	-2	Massachusetts	146	-27.7%	$46,793,500	2.3%
14	-2	Oregon	127	-28.2%	$34,472,000	2.0%
15	0	Arizona	125	-13.8%	$27,776,197	1.9%
16	4	Colorado	123	16.0%	$37,732,876	1.9%
17	3	Puerto Rico	119	12.3%	$22,505,450	1.8%
18	5	South Carolina	113	13.0%	$22,467,500	1.7%
19	-5	Connecticut	107	-32.3%	$30,569,700	1.7%
19	-1	Tennessee	107	-7.0%	$18,331,000	1.7%

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

The Nation's top 100 HECM Lenders

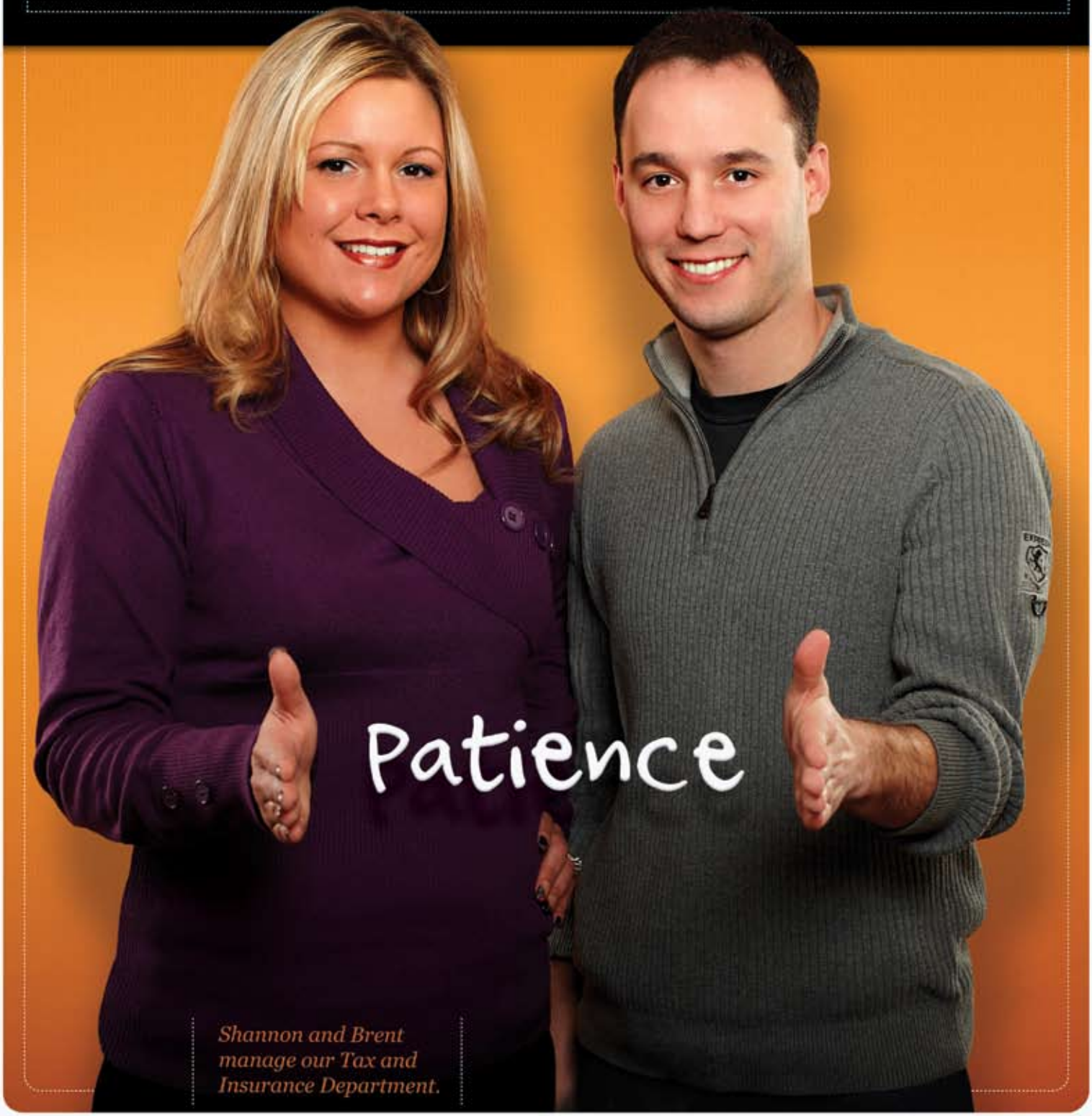
Rank	Lender	Loans Issued	Y-o-Y % change	Max. Claim Amounts*	Market-share
1	Wells Fargo Bank	1,682	40.2%	444.88	26.0%
2	Bank Of America	836	28.8%	237.18	12.9%
3	Metlife Bank	465	79.5%	115.84	7.2%
4	One Reverse Mortgage LLC	322	58.6%	61.18	5.0%
5	Generation Mortage Company	122	9.9%	26.56	1.9%
6	1ST AAA Reverse Mortgage	102	-15.0%	15.15	1.6%
7	Genworth Financial	84	320.0%	20.19	1.3%
8	Guardian First Funding Group	70	-41.7%	17.11	1.1%
9	American Advisors Group	63	46.5%	13.68	1.0%
10	Urban Financial Group	60	11.1%	9.26	0.9%
11	M&T Bank	59	25.5%	10.30	0.9%
12	PNC Reverse Mortgage LLC	57	46.2%	13.90	0.9%
13	Money House Inc.	56	93.1%	10.37	0.9%
13	Security One Lending	56	-41.7%	19.01	0.9%
15	Financial Freedom Acquisition	53	-72.1%	19.35	0.8%
16	Ireverse Home Loans LLC	43	290.9%	12.23	0.7%
17	Net Equity Financial Inc.	42	-52.3%	10.42	0.6%
18	Senior Mortgage Bankers Inc.	37	32.1%	6.73	0.6%
19	Ssuntrust Mortgage Inc.	34	21.4%	5.99	0.5%
19	New Day Financial LLC	34	-74.6%	6.45	0.5%
21	Midcontinent Financial Center	33	43.5%	7.29	0.5%
22	First National Bank	32	540.0%	11.48	0.5%
23	United Southwest Mortgage Corp.	29	222.2%	11.62	0.4%
23	Mortgageshop LLC	29	61.1%	5.53	0.4%
25	Senior American Funding Inc.	28	-34.9%	10.34	0.4%
26	Equipoint Financial Network Inc.	26	-52.7%	6.47	0.4%
27	Seniors Reverse Mortgage	25	-43.2%	5.51	0.4%
28	Stay In Home Mortgage Inc.	24	-11.1%	3.73	0.4%
29	Upstate Capital Inc.	18	-33.3%	3.19	0.3%
29	Open Mortgage LLC	18	-33.3%	6.80	0.3%
29	First Mariner Bank	18	-78.6%	3.46	0.3%
29	Aspire Financial Inc.	18	0.0%	1.99	0.3%
33	Amtec Funding Group LLC	17	-15.0%	5.08	0.3%
34	Allied Home Mortgage Capital	16	-23.8%	3.27	0.2%
34	Traditional Home Mortgage Inc.	16	-36.0%	4.73	0.2%
36	Marshall And Ilsley	15	-44.4%	2.49	0.2%
36	Gateway Funding Diversified	15	-11.8%	3.08	0.2%
36	MAS Associates	15	N/A	4.47	0.2%
36	Trinity Reverse Mortgage Inc.	15	25.0%	7.01	0.2%
36	Primelending	15	150.0%	3.45	0.2%
41	Tripoint Mortgage Group Inc.	14	100.0%	6.90	0.2%
41	Royal United Mortgage LLC	14	7.7%	3.25	0.2%
41	Christensen Financial Inc.	14	40.0%	2.41	0.2%
41	Sun American Mortgage Co.	14	600.0%	3.25	0.2%
41	Harvard Home Mortgage Inc.	14	-36.4%	2.58	0.2%
46	Integrity 1st Mortgage Inc.	13	-53.6%	1.61	0.2%
46	New Castle Mortgage LLC	13	225.0%	1.82	0.2%
46	McGowin King Mortgage LLC	13	8.3%	2.08	0.2%
46	Senior Equity Financial Inc.	13	85.7%	4.35	0.2%
50	Universal Lending Corp.	12	200.0%	2.92	0.2%
50	Village Capital & Investment L	12	N/A	3.87	0.2%
52	Sidus Financial LLC	11	-21.4%	2.92	0.2%
52	Franklin Advantage Inc.	11	N/A	5.20	0.2%
52	Approval First Home Loans Inc.	11	120.0%	4.53	0.2%
52	Cherry Creek Mortgage Co. Inc.	11	120.0%	4.52	0.2%
52	Webster Bank	11	-8.3%	3.04	0.2%
52	Retirement Life Funding LLC	11	10.0%	3.66	0.2%
58	United Northern Mortgage Bank	10	0.0%	3.62	0.2%
58	Fidelis Mortgage LLC	10	0.0%	3.34	0.2%
58	The Senior Equity Group Inc.	10	11.1%	5.38	0.2%
58	Prosperity Mortgage Company	10	42.9%	3.85	0.2%
58	Community Home Equ. Conv. Corp.	10	233.3%	0.89	0.2%
58	Advanced Funding Solutions Inc.	10	-23.1%	4.74	0.2%
58	Network Funding LP	10	-37.5%	2.71	0.2%
58	GMFS LLC	10	-33.3%	1.51	0.2%
58	Academy Mortgage LLC	10	-60.0%	2.51	0.2%
67	Wilmington Savings FD Society	9	-59.1%	2.28	0.1%
67	Gateway Reverse Mortgage Group	9	-47.1%	0.84	0.1%
67	American Pacific Mortgage	9	-43.8%	3.05	0.1%
67	Metamerica Mortgage Bankers Inc.	9	-77.5%	1.47	0.1%
67	Great Oak Lending	9	-86.2%	2.02	0.1%
67	Reverse Mortgage Solutions Inc.	9	N/A	2.05	0.1%
67	Bank Of New Orleans	9	200.0%	2.02	0.1%
67	Envoy Mortgage Ltd.	9	350.0%	2.31	0.1%
67	First Priority Financial Inc.	9	50.0%	2.36	0.1%
67	All Financial Services Inc.	9	-10.0%	1.12	0.1%
67	1st Source Funding Inc.	9	-18.2%	3.90	0.1%
78	Coastal Finance LLC	8	-27.3%	2.53	0.1%
78	Value Financial Mortgage Service	8	-38.5%	1.16	0.1%
78	Agency For Cons. Equity Mort.	8	-11.1%	2.47	0.1%
78	Atlantic Bay Mortgage Group LL	8	33.3%	2.02	0.1%
78	Pinnacle Capital Mortgage Corp.	8	60.0%	2.66	0.1%
78	Legacy Home Financing Inc.	8	300.0%	2.68	0.1%
78	Wholesale Capital Corp.	8	300.0%	3.53	0.1%
78	New American Mortgage LLC	8	100.0%	2.35	0.1%
78	Priority Mortgage Corporation	8	-69.2%	1.39	0.1%
78	Brian A Cole & Associates Ltd.	8	-81.0%	0.87	0.1%
78	Primery Residential Mortgage	8	-52.9%	1.70	0.1%
89	Seniors First Mortgage Company	7	-58.8%	1.38	0.1%
89	Castle Financial Inc.	7	-63.2%	2.47	0.1%
89	Main Bank	7	N/A	1,530	0.1%
89	Axis Financial Group Inc.	7	N/A	0.63	0.1%
89	First Midwest Bank	7	75.0%	1.10	0.1%
89	Health One Credit Union	7	133.3%	3.17	0.1%
89	Southcoast Guaranteed Mortgage	7	133.3%	1.66	0.1%
89	Homeservices Lending LLC	7	250.0%	2.57	0.1%
89	Mountain America Credit Union	7	40.0%	2.06	0.1%
89	The Mortgage Group Ltd.	7	40.0%	1.91	0.1%
89	Home 1st Lending LLC	7	0.0%	0.89	0.1%
89	Success Mortgage Partners Inc.	7	16.7%	0.99	0.1%

**In Millions*
From January 1, 2011 through January 31, 2011
Source: Reverse Market Insight (www.rminsight.net)

MANAGING TAX & INSURANCE DEFAULTS

IS A CRITICAL ASPECT OF REVERSE MORTGAGE SERVICING

Explaining complicated situations takes a lot of patience. Patience is a key attribute of our Celink team.



Shannon and Brent manage our Tax and Insurance Department.

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