May-June 2016
Volume 9, No. 3

# Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association

## Talking to a New HECM Audience

NRMLA

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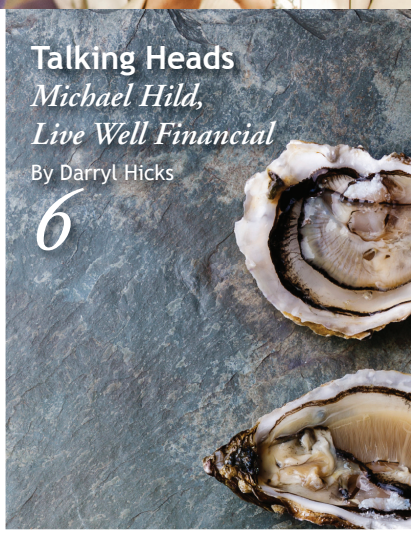





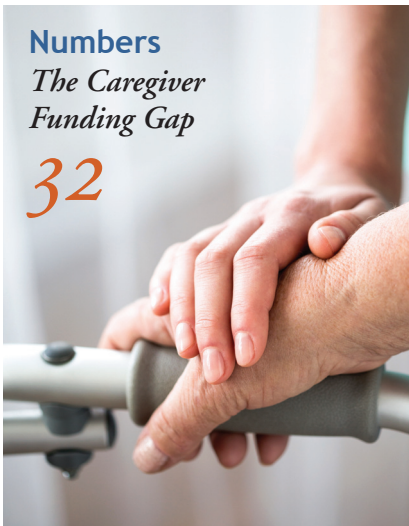




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NRMLA

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**Bendix Anderson's** *(HMBS Update,* p. 18*)* work has appeared in *Urban Land Magazine, Affordable Housing Finance Magazine, National Real Estate Investor* and many others. He likes to imagine how abandoned, old houses and crumbling landmarks might turn into something beautiful.

**Marty Bell** *(In Reverse,* p. 3; *No Brotherly Love Lost,* p. 12; *Equity Extractions Motivations,* p. 20*)* is the Editor of *Reverse Mortgage* and *Tax Credit Advisor* Magazines, the Senior Vice President, Communications & Marketing at NRMLA and the Executive Director of the National Aging in Place Council.

**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** *(A Day in the Life,* p.24*)* 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.

**Monte Howard** *(CRMP: Across the Kitchen Table,* p. 26*)* entered the reverse mortgage business in 2003 as a reverse mortgage originator, trainer and sales recruiter for San Diego-based Financial Heritage. He owned a net branch at Omni Home Reverse Mortgage and launched the Affinity Marketing Division at Generation Mortgage Company. During his tenure at Generation Mortgage, Monte took the first Reverse Purchase application in history. He launched and currently oversees the reverse mortgage division at C2 Financial Corporation, the largest broker in California and the second-largest in the US. He became a Certified Reverse Mortgage Professional (CRMP) in 2015.

**Mark Olshaker** *(Talking to New Audiences*, p. 14*)*, 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.


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# Our New Audience

**AS I WRITE THE INTRODUCTION FOR THIS ISSUE,** we are at the beginning of the first Reverse Mortgage Education Week. In consultation with the NRMLA Public Relations committee, our PR director Jenny Werwa determined that the focus of this inaugural effort should be professionals in related industries. By educating more financial advisors, realtors and service providers, all whom have their own clients, we would lay the foundation for a wider education of consumers. After all, the most effective sales tool in the American marketplace is word of mouth.

There is a widespread consensus—among our members, government officials and even the press—that alterations to the HECM program over the past two years have shifted the audience. Ironically, the new audience is the one the program was originally intended to help. Call it the new old audience. The combination of the effect of recession on retirement savings, a decline in home values and the introduction of a fixed interest rate product, drifted the program towards those with a huge hole to fill, those who needed as much money as possible as quickly as possible. But the HECM was originally intended to be a product of patience. It would help retirees over time. As Peter Bell reports in his column this month, HECM guru, Ed Szymanoski, said the program was designed assuming borrowers would take "a steady stream of income through regular payments and periodic draws, but not for the proceeds to be fully drawn up front."

In addition to the activities of Education Week, the new old audience has influenced the content we are presenting at this year's conferences, some of which are featured in this issue. At our Eastern Regional meeting in New York in April, we were privileged to welcome Professors Wade Pfau and Jamie Hopkins, both of The American College of Financial Services in Bryn Mawr, Pennsylvania. Dr. Pfau discussed fitting reverse mortgages into financial plans and Dr. Hopkins discussed forging relationships with financial planners. Another session addressed one of the single largest needs of the new consumer audience—paying for caregiving. Staff writer Mark Olshaker was present to share highlights of these sessions with you. (*Talking to a New Audience*, p.14).

The new audience, altered draw patterns and the drift back towards adjustable rate mortgages is having an effect on both the broker/dealers and investors in Ginnie Mae's HMBS program and we devoted an afternoon to those issues, which Bendix Anderson reports on. (p. 18) And in this month's Talking Heads, Michael Hild, CEO of Live Well, shares his thoughts on HMBS progress.

Once again this month, we are honored to present new information from the stream of smart and needed research being conducted by Stephanie Moulton and her team at Ohio State University. Their latest report focuses on comparing the patterns of usage of HECMs, HELOCs and cash out refinancing. (*Equity Extraction*, p. 20).

Also in this issue, you will find two tributes: one is in the form of our Day in the Life column (p. 24) that takes you through one very special day with NRMLA's beloved event planner Sarah Aaronson. With great affection and endless patience, Sarah devotes her days to taking care of members and staff.

And, as I mentioned earlier, Peter devotes his column this month (p. 5) to Ed Szymanoski, a 40-year HUD veteran and an architect of the HECM program, who passed away in April. As Colin Cushman, who worked under Ed at HUD and considered him his mentor, wrote to us, "If there was a HUD statue, it would be Ed Szymanoski."

Over the past few months, we had opportunity to speak with Ed who was delighted and relieved with the direction the HECM was heading. The program and the audience it was intended for were finally coming together.

Marty Bell, *Editor*

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# He Figured It Out

## *A tribute to Ed Szymanoski*

By Peter Bell, President of NRMLA

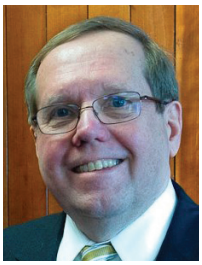
**ANGER AT GOVERNMENT OFFICIALS HAS BECOME** an all too familiar American refrain. But there are dedicated, career government officials who make a major contribution to American society. I only wish some of the bloviators out on the stump knew about the achievements of Ed Szymanoski.

In the Housing and Community Development Act of 1987, Congress approved the creation of a new financial product "to meet the special needs of homeowners… through insurance of home equity conversion mortgages to permit the conversion of a portion of accumulated home equity into liquid assets."

It took seven years for senior advocate Ken Scholen to push this notion through Congress. But HUD was given nine months to publish proposed regulations for what would become the new Home Equity Conversion Mortgage. Among the requirements were that the insurance component of the program be net neutral on an annual basis, which meant there would be no cost to the government. This would necessitate analyzing the actuarial risks, or looking into the crystal ball to project how the country's economy and this program would perform over time, as much as 30 years out. There was no previous model to base this on. Someone had to figure the whole thing out.

Enter Ed Szymanoski, Jr., a Hartford, Connecticut native and Brown University graduate with degrees in applied mathematics and economics who had come to Washington from HUD's regional office in his hometown a year earlier. Along with Judy May and a team of economists and lawyers, Szymanoski created a simulation model based on three innovative ideas:

1. The first two-part mortgage premium structure that included both an upfront and annual premiums to sustain the insurance fund;
2. A totally original notion called "principal limit factor" based on a borrower's age and interest rates to determine how much a borrower could receive; and
3. Customized payment plan options to best fulfill the specific needs of the borrowers.



*Ed Szymanoski*

Over the next 29 years, there were extensive alterations to improve the HECM program for both consumers and government, many of them conceived or executed by Ed. But when he died on April 9 following a brave battle with cancer, these three original concepts with which nearly one million American families improved their lives in retirement remained in place.

I do not think it is an exaggeration to believe that without Ed Szymanoski's unique mathematical foresight, there would be no HECM program. In addition to his sheer intelligence, Ed possessed character traits that made him everyone's dream of a civil servant. For nearly 40 years, he remained devoted to HUD housing programs and always seemed to feel personally responsible for the progression of the HECM program. He was committed to, and passionate about, improving the lives of the people his department served. And he never wanted to take personal credit for his impressive accomplishments; he always considered himself a part of a team. An old world gentleman with a professorial bent and good sense of humor, he would write our organization thank you notes when he spoke for us at a conference or sat for a magazine interview, when that onus belonged to us.

***Balanced Viewpoint*** *continued on page 17*

# Michael Hild

## *Successful HMBS Issuer and Philanthropist*

By Darryl Hicks

**MICHAEL HILD WAS APPROACHING HIS 30TH BIRTH-**day in 2005 and needed a new challenge. Hild had prospered at Capital One Bank, headquartered in Richmond, VA, in a variety of managerial roles that he enjoyed, but he was looking for something different.

Capital One had studied reverse mortgages as a potential product line, but passed on the opportunity. Hild, however, was intrigued by reverse mortgages and the market potential.

After pondering his options, Hild founded Live Well Financial on April Fool's Day 2005. Within a year, Live Well was approved as a Fannie Mae Seller/Servicer and in 2012, the company became a Ginnie Mae Issuer of HECM Mortgage-Backed Securities (HMBS). Today, Live Well ranks among the top ten largest originators and issuers of HECM reverse mortgages.

Hild has also become one of Richmond's most important business leaders and philanthropists. He and his wife Laura recently sponsored a tree planting day. The couple acquired, and are in the process of restoring, ten neglected, yet historically significant, buildings located in Richmond's Manchester District, as part of broader community revitalization effort. And in 2010, the Hilds acquired a pristine piece of land along the York River, 40 minutes east of Richmond, that was in danger of being clear cut and developed for its real estate potential and started Anderson's Neck Oyster Company.

*Reverse Mortgage* magazine sat down with Hild to talk about the importance of the HMBS program, changes to financial assessment, and Live Well's strategic initiatives for 2016.

***Reverse Mortgage:*** ***Where did you grow up, what was your college major, and what was your first job after graduating?***

*Michael Hild*

**Michael Hild:**

I was born and raised in the Midwest. We moved around a lot, living in Indiana, Michigan, Kentucky and the Cincinnati area. I went to Cornell University in Ithaca, New York and was on a pre-med track as a chemistry major. I later switched majors because of the enormous time commitment that I was putting into athletics, but also because I really hated the site of blood, which doesn't help if you want to be a doctor. I was really good with math and statistics, so I switched majors to economics. The first job I had out of school was working in the insurance industry for Cigna in Hartford, Connecticut, in bank-owned and corporate-owned life insurance products. I didn't want to spend the rest of my life creating tax shelters for rich folks, so within a year I moved to Richmond and started working for Capital One.

***RM:*** ***You took a big risk leaving a lucrative job at Capital One in your late 20s and starting a reverse mortgage company. Why did you do it?***

*Talking Heads continued on page 8*

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*Talking Heads continued from page 6*

**MH:** Capital One looked at reverse mortgages, but passed on the opportunity, the biggest factor being the PR concerns associated with the product and the industry at the time. But it was something that peaked my interest. While I was at Capital One, I built a track record of successfully building new businesses from scratch. Even though I worked for a large financial services company, it still felt very startup-like and entrepreneurial. I had the entrepreneurial bug and I felt now may be the time to do something on my own. I developed a list of ideas worth pursuing and, contemporaneous to that, looked at other financial services companies outside of Capital One to test my market value. I had a difficult decision to make. I had a dozen different roles available to me within Capital One, I also had a job offer from Genworth Financial, and then on the entrepreneurial side at the top of my list was this reverse mortgage idea. Reverse mortgages are a financial services product and I was coming from that type of background where I was doing profit/loss (P&L) management, product design, credit policy and operational oversight. I felt the product was ripe for direct-to-consumer marketing, which I had a lot of experience with. And then of course, there was the market potential, with the aging of the baby boomers, the greying of America, and the fact that a very large portion of your average retirees' net worth is tied up in home equity. After a couple glasses of wine, my wife and I decided on reverse mortgages and the rest is history.

***RM:** At what point did you decide to become an HMBS Issuer and what was the approval process like?*

**MH:** When Ginnie Mae was in its initial planning stages of developing the HMBS program, I was involved in those discussions and was asked point blank if I was interested in issuing the first pool. I was concerned that demand for the product wasn't quite there yet in order for the bonds to trade at premium to par, which ended up being true. I was, also, really concerned that Live Well, being a non-depository, didn't have access to ample financing in order to meet issuer-related obligations, such as pool buy-outs. We took a pass on issuing the first pools or even becoming one of the first issuers for those primary reasons. It wasn't until the industry went through a sea-change with the exits of Wells Fargo, Bank of America and Metlife that we realized that if we didn't become an issuer in what was a shrinking issuer base then who was. We gained our approval in the beginning of 2012 and began issuing shortly thereafter and focused exclusively on securitizing adjustable rate reverse mortgages.

***RM:** How did your daily routine as President of Live Well change when you became an Issuer?*

**MH:** It was like drinking from a fire hose. There was an enormous demand for someone to step up and begin issuing, building volume in the adjustable rate product, and creating liquidity. We went from being a forward mortgage centric business in 2011-early 2012 to being the exact opposite. Our product mix went from 90/10 forward to reverse to 90/10 reverse to forward almost at the flip of a switch, which remains the same to this day. We have the ability to do both forward and reverse, but our expertise lies in reverse and so that's where we think we have a competitive edge.

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

**MH:** Retail is a small, but rapidly growing part of our business. It's less than 20% of our mix but I expect that to change significantly going forward. Our goal is to have it make up more than 50% of our volume by year-end. We've made a concerted effort building out the knowledge base and sales staff and the procedures in order to produce at that type of scale.

***RM:** What investor trends are you seeing in the HMBS market?*

**MH:** We are well into the shift from being a predominantly fixed-rate industry to one focused on adjustable, LIBOR-based product. It has taken time to attract new investors that prefer adjustable rate product, but we have made great strides. People realize that adjustable is here to stay, that if they want to participate in the space they need to accept that ARMs will dominate well into the future. Another noteworthy, but troubling, change is the significant increase in HECM-to-HECM refinances that have far outpaced everyone's expectations. The old historical investors and old HMBS pools are getting burned because prepayment speeds have come in much higher than anticipated.

*Talking Heads continued on page 10*

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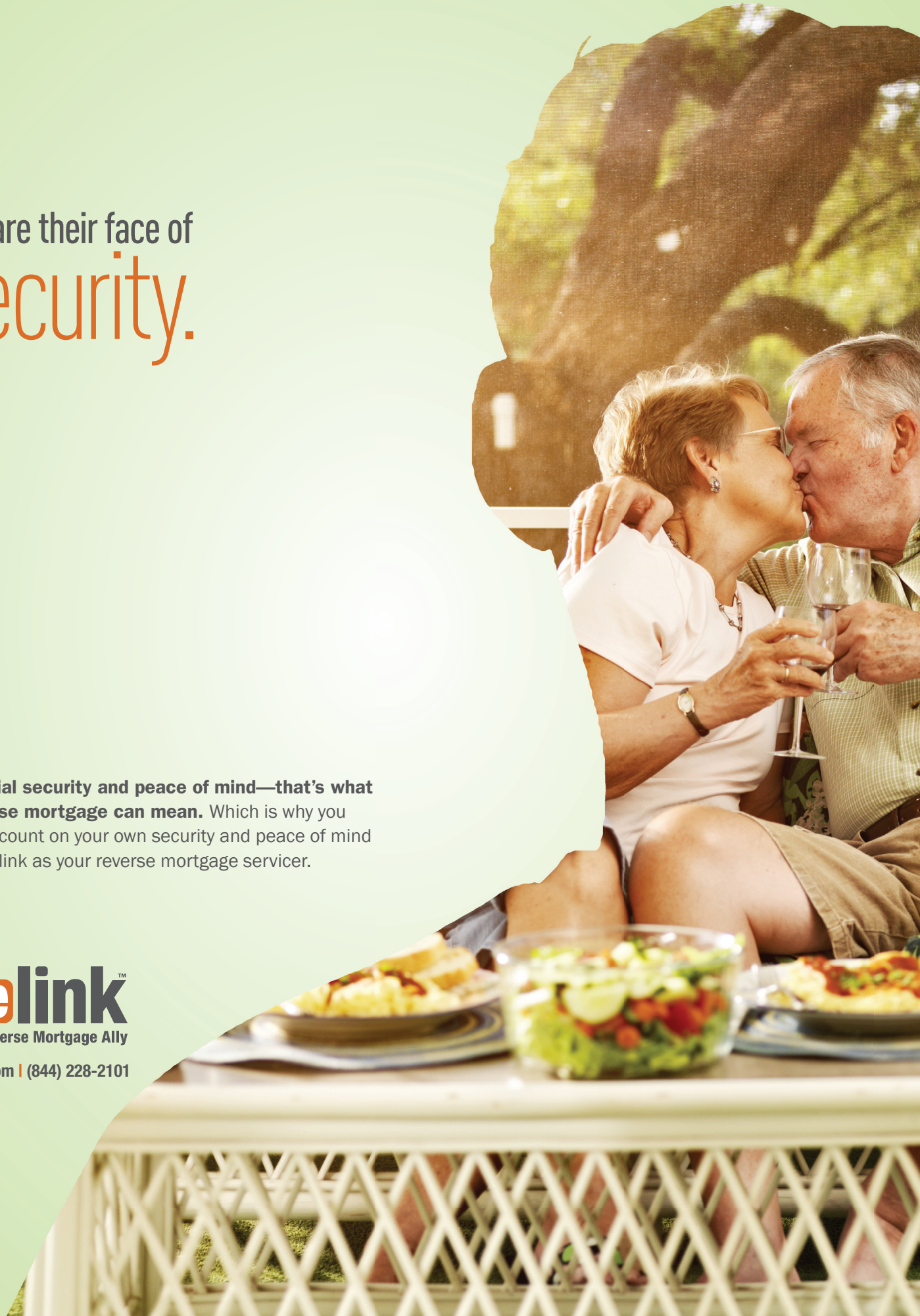

*Talking Heads continued from page 8*

***RM:** How is working with Ginnie Mae different compared to HUD?*

**MH:** The issues and the conversations are different for each. A conversation with FHA focuses on protecting consumers and the health of Mutual Mortgage Insurance (MMI) fund, whereas Ginnie Mae asks how we are doing, enquires about the strength of our balance sheet and counter-party risk, and ensures that we're providing accurate data and that pools perform to investors' expectations.

***RM:** Do you foresee more investors entering the HMBS market now that HUD has stabilized the HECM product?*

**MH:** FHA's changes have worked to increase interest from the issuer community, but not necessarily from the investor community. The investors who buy our bonds have already drunk the Kool-Aid. They get the program and know how it works. Some of the positive PR may open doors that people might consider buying the bonds, but the predominant concern is more about the performance of the bonds from a prepayment perspective. Anything that FHA or Ginnie Mae could do to protect investors against that prepayment risk would go a long way toward encouraging more investors to take the plunge.

***RM:** How has financial assessment impacted your business and what, if any, refinements would you like to see implemented by HUD?*

**MH:** There are "forward" mortgage policies that I would like to see HUD apply to financial assessment. On the forward side, if you pay-off or consolidate unsecured loans in order to reduce debt-to-income ratios to qualify for a refinance transaction, I think a similar approach should be considered for HECM. You are improving consumers' overall financial health and their monthly debt service obligations. HUD's changes have been very positive, they had to start somewhere, but I also think there has been a little over-steering that could be improved upon. If HUD adopted this framework from the forward side, we could claw back a significant amount of the false-positives that result in declined loans.

***RM:** What strategic initiatives are you hoping to accomplish in 2016?*

**MH:** We are focused on two things. The first item was touched on earlier, which is expanding retail and making that 50% or more of our origination volume on a go-forward basis. The second piece is that we are in the midst of a very large capital raise. I can't go too great into detail because we are a private company. Nonetheless, we are seeking large amounts of debt financing to compliment the equity financing that we have in place, in order for us to grow the size of our investment portfolio, which is comprised mostly of HMBS and H-REMIC securities.

***RM:** What is the biggest challenge/opportunity in the next two to five years?*

**MH:** Live Well is a bit unique. Not only are we an originator and a servicer/issuer, but we are also an investor of HMBS and H-REMIC securities. We get to see the whole industry from beginning to end and I would say looking at that entire spectrum, the largest challenge that we as an industry face is access to ample financing to be able to purchase the bond production that's being created and made available for sale into the marketplace. We've seen a massive transition within the broker/dealer community. At one time, we had something on the order of 12 to 15 broker/dealers that were trading in HMBS securities. We are now down to three broker/dealers and the investor base has shrunk, as well, in part because of the pre-payment issues I mentioned before. We have expanded and become active investors in those bonds over the course of the last few years but as a non-depository institution it is challenging to obtain large sums of capital to finance our positions. I spend at least half of my time securing financing deals in order for us to grow our portfolio and provide liquidity to the marketplace as the industry continues to generate pools that are available for sale.

***RM:** Outside of Live Well, you and your wife founded Anderson's Neck Oyster Company. How did that come about?*

**MH:** I am a bit of a tree hugger. I love the outdoors and being on the water. We came across an old satellite plantation of Jamestown that was on the market but under pressure of being developed for suburban housing. We purchased the land and placed it under a conservation easement, so that it would be protected from future development. We learned that this property had a legacy of oyster farming dating back hundreds of years. I became enamored with the story, which led to the creation of Anderson Neck Oyster Company. RM

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# No Brotherly Love Lost

*Council searches for impact of HECMs on Philadelphians* By Marty Bell

**RESPONDING TO WHAT SESSION CHAIR JANNIE** Blackwell called "an alarming increase in foreclosures," the Committee of Finance of the Council of the City of Philadelphia held a hearing on March 16 at City Hall searching for "intergovernmental remedies that can be developed to protect consumers from unintentional harms that may result from acquiring this type of lending product." In front of a distinguished audience that included Pennsylvania Senator Bob Casey, Congressman Robert Brady, members of both houses of the state legislature, the state's Attorney General, and staff members of both HUD's Region 3 office and the CFPB, five panels comprised of counselors, consumer advocates, legal service agencies and borrowers, along with council members, painted a bipartisan portrait of a city struggling with our product. In the exchange of information and anecdotes, some debatable and others not, no aspect of the reverse mortgage delivery process went untainted. There were complaints about the information that is disseminated by the industry and the inaccurate picture and expectations it creates; the role counseling does and does not play; the pressure applied by loan originators; scams by home contractors who go door-to-door looking for homes in need of repair and promise access to the funds to pay for the work; lack of knowledge and cooperation from servicers; and a concentration of borrower problems in, according to Colin Weidig, Research Analyst for the city's Reinvestment Fund, "lower areas of the income spectrum, heavily non-white and African American."

Despite the adjustments to the HECM program made by HUD and supported by NRMLA and its membership over the past few years, this one hearing of one council in one major American city provided a sobering snapshot of the lingering lack of trust in reverse mortgages and the companies that deliver them.

"There is no evidence of predatory patterns," said Michael Norton, Chief Policy Analyst at the Reinvestment Fund, "but this does mimic the patterns we've seen in the subprime lending situation. Do the stories we hear suggest the presence of abusive practices in the marketing and sale of reverse mortgages?"

To dedicated reverse mortgage professionals, the comments at this hearing can be frustrating, even angering Some of them can be refuted. But it is important to absorb the overall dark portrait painted here, to recognize and accept the perception of what we do among a diverse constituency of voices, and to respond with careful thought and appropriate action. This day's conversation was in Philadelphia; another day's could well be anywhere else.

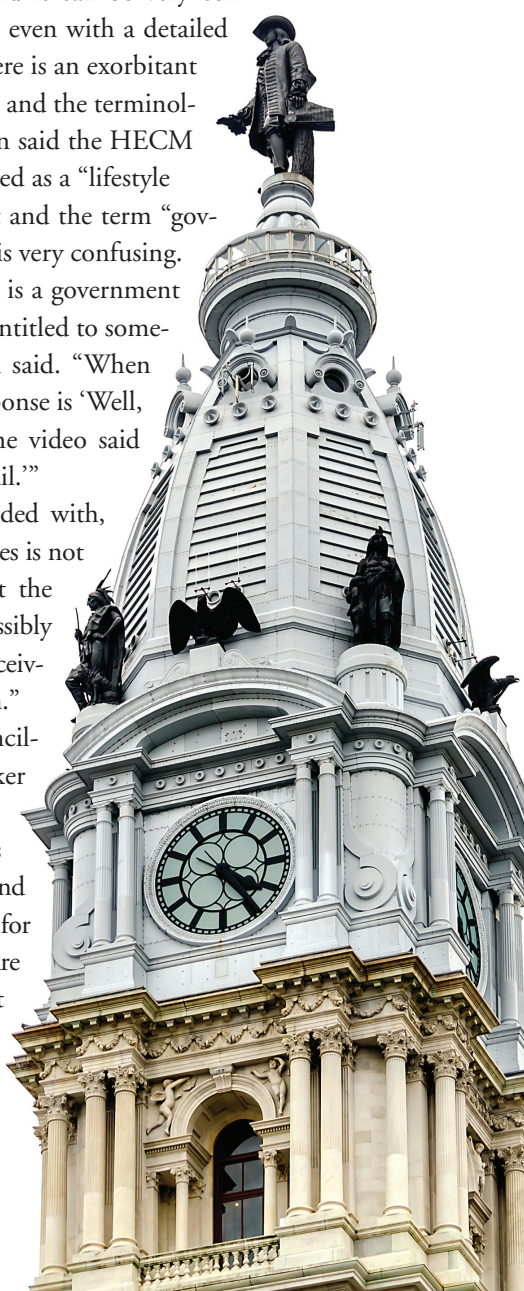
## Confusion

On the counseling front, Anita Brown, COO of Clarifi, testified that "the amount of documentation and information that is delivered to the homeowner through the process is extensive, and it can be very confusing to homeowners, even with a detailed counseling session. There is an exorbitant amount of information and the terminology is complex." Brown said the HECM is misleadingly advertised as a "lifestyle improvement" product and the term "government-backed loan" is very confusing. "They believe that this is a government program and they are entitled to something for free," Brown said. "When told otherwise, the response is 'Well, gee, that's not what the video said when I got it in the mail.'"

And Brown concluded with, "Counseling also at times is not sufficient to counteract the amount of pressure possibly that a homeowner is receiving to take out this loan."

In response, Councilwoman Cherelle Parker said, "the advertisements and who this product is geared to and who actually is applying for these types of products are two completely different groups of people."

Following a presentation by Clarifi



counselor Nicole Evans of results from Stephanie Moulton's recent research that showed a satisfaction rate of 70-75% among borrowers, Councilman William Greenlee responded, "I wonder if the lower income folks are not included in that satisfied category."

## Ripe Target Market for Scammers

Philadelphia is a widely diverse metropolis of 1.5 million residents (down 25% over the past 50 years) with a vast disparity in neighborhoods; it contains a soaring midtown and the beautiful, colonial Society Hill surrounded by tough neighborhoods, such as Mantua, Strawberry Mansion and Germantown, where the antislavery movement was first started. Its population is 45% white, 44% African American, 13.6% Hispanic and Latino, and 7% Asian. Fourteen percent of the residents are over 65 and 18% live below the poverty line.

One telling number is that over 50% of Philadelphians own their own homes, which puts it second among the 20 largest cities in the country. Many of those homes were built prior to 1950 and are in need of repair, which, according to Elizabeth Shea, Coordinator of Homeowner Assistance for the Senior LAW Center, makes it a "ripe market for high pressure contractors and door-to-door solicitation."

"Repair contractors and lenders are often working together," Shea said, "intentionally confusing seniors, convincing them to give up the equity in their homes in order to finance home repairs, which are often not completed or shoddy."

To demonstrate her case, Shea was accompanied to the hearing by a client, Mrs. Brenda Myers, whose doorbell was first rung by a contractor when she was 61. Shortly after her 62nd birthday, she claims, the bell rang again and this time it was a woman with paperwork. Mrs. Myers could not read the documents due to the size of the print, so she asked the visitor to read them to her. Mrs. Myers' understanding was that the government was giving her $35,000 to have the contractor remodel her bathrooms and replace the heating units. So she signed the papers, only to find out when she fell behind in tax payments that she had a $35,000 reverse mortgage.

## Unresponsive Servicing

Panelists before the City Council committee were representative of the extensive senior social service network that exists in Philadelphia. Among the services created by the city are a protection program for homeowners who fall behind on tax payments that permits spreading the back payments out over a negotiated period of time. The process can be triggered using the SaveYourHomePhilly hotline which provides residents with a personal contact to guide them through the process.

But advocates claimed at the hearing that HUD policy and standard practice by loan servicers is in conflict with the city's policy.

"There is a poor negotiating approach by HUD," said Peter Schneider, an attorney at Community Legal Services. "They want people to pay off back taxes in a lump sum, which most of those who fall behind cannot afford. This does not allow homeowners to take advantage of the city's protection for payment of taxes over time. The servicers are ignoring an agreement the city makes with its homeowners."

"Servicers are not using HUD-authorized discretion to evaluate borrowers for repayment plans," says Elizabeth Shea, "preferring instead to call a loan due and payable, and taking the home from the borrowers.

Shea also called out servicers following the death of borrowers. "With heirs, servicers exploit the situation by refusing to negotiate and suing to foreclose the loan or by inflating property appraisals and failing to negotiate with heirs in good faith."

## Remedies

In conclusion, Shea suggested the following actions:

- A city-funded campaign to clearly explain the danger and risks of reverse mortgages and to describe alternative means of funding;
- Making sure Philadelphia tax-assistance programs are understood by all loan servicers;
- A ban on marketing by door-to-door contractors;
- Mandatory large print documents and a waiting period between delivery of the documents and closing of the loans.

"As a consumer watching advertisements—and I would like to think I'm halfway intelligent—I never got anything about these reverse mortgages," said Councilwoman Blondell Reynolds Brown. "And I'm just beginning to get a level of understanding here today."

In closing, chairwoman Jannie Blackwell said, "We're going to be bringing the working group back together, and for those who are sitting here saying we got all of this great information, but there were no lenders here today. We knew how much time this would take. So we will invite the lenders to the next hearing. Now we don't have to say to them, Just come to a hearing. We'll be able to say, Here's the testimony from the first hearing. Please take a look at this. After you reviewed this, now can you come to the table." RM

# Talking to a New Audience

*Prepping for the changing HECM market* By Mark Olshaker

*"Plans are worthless,*
*but planning is everything."*

President Dwight D. Eisenhower,
Address to the National Defense Executive Reserve Conference,
November 14, 1957

**WITH THE IMPLEMENTATION OF FINANCIAL ASSESS-**ment and draw limitations, the most likely borrowers against their home equity have changed. If the old industry mantra was simply eliminate *your forward mortgage payments*, the new mantra is a more complex look at *financial planning*. How do you best utilize a HECM in conjunction with other savings tools? And what can you use it for?

The new HECM audience—potential borrowers, their families, their advisors—requires new language. Preparing to present to this new audience was a key topic at NRMLA's 2016 Eastern Regional Meeting, April 5 and 6, at New York's InterContinental New York Times Square Hotel. Three presentations in particular brought the issues into sharp focus.

## Managing Retirement Assets

In his introduction to a session entitled "Financial Planning: Managing Your Assets, Forging Relationships With the Financial Services Industry," Celink CEO Jason McNamara highlighted the importance of realtors and financial advisors in influencing senior clients about the use of reverse mortgages, but acknowledged, "The financial planning community is still catching on."

This set the stage for Jamie Hopkins, an attorney, Associate Professor of Taxation at The American College of Financial Services in Bryn Mawr, Pennsylvania, and one of America's leading retirement planning experts, whose aim was to acquaint the HECM industry professional audience with the important concepts and considerations of this related, but too often distant, parallel industry, to be better able to engage and work with them. The total of assets managed by financial services professionals comes to $40 trillion! Yet, Hopkins said, "a lot of financial planners don't consider home equity. With 75 million Baby Boomers, and 10,000 hitting age 65 each day until 2030, this is where the market is."

Industry professionals seem to use the terms "planner" and "advisor" interchangeably. But the important term, according to Hopkins, is "fiduciary," which ERISA (the Employee Retirement Income Security Act) defines as covering both managing assets and rendering investment advice. There are four means of compensation: fee only; commission only; a hybrid of the two; and salary and bonus. Hopkins noted that with new financial services legislation and Department of Labor rule changes, the commission-based model is coming under increasing attack.

However they are paid, fiduciaries must meet a required set of duties: prudence; loyalty; acting solely on behalf of the client; liability for co-fiduciaries; diversification of investments; and management of fees and expenses. The Duty of Care standard is: What would a responsible advisor recommend?

Just as President Eisenhower, while stressing the essentiality of planning, emphasized that plans only work if they are constantly updated and overhauled, Hopkins conceded, "Retirement income planning is incredibly challenging." The goal is to help clients figure out what they want to do in retirement in terms of income, contingencies, expenses and legacy. But the unpredictable factors include longevity, the possibility of needing long-term care, sequence of withdrawal risk (whether assets happen to be up or down at the time they are needed) and future changes in public policy.

This all means, "Retirement planning is like shooting at a moving target in the wind. You don't know how long funds have to last and how the client's situation and legislation will change over the years. So you have to keep looking at every solution."

While these compounded uncertainties play to HECM's strengths and flexibilities, Hopkins said, "You have to educate financial planners to have a positive view of reverse mortgages. But don't oversell; that turns people off." He also warned, "For annuities and insurance, many companies will decline the application if a reverse mortgage is going to be used to pay for it. But just having a reverse mortgage is not usually a problem."

## HECMs and Retirement Planning

Hopkins' advice dovetailed into a session entitled "How Reverse Mortgages Fit Into Americans' Retirement Plans," featuring his American College colleague Dr. Wade Pfau, an economist and Professor of Retirement Income, as well as a retirement researcher and blogger.

Pfau posed the title question by defining the term "efficiency" in the context of retirement strategy: "How can you spend more and preserve more at the same time, compared to other strategies?"

The first premise in responding to the efficiency question is by asking another: How does retirement income planning differ from traditional wealth management?

In retirement, there is reduced earnings capacity, coupled with a visible spending restraint; a retiree knows that anything he or she takes from the portfolio each year reduces the entire amount and what is available in future years. Investment risk is heightened because there is a considerably shorter timeframe in which to recover market losses. Longevity is an unknown factor, as are spending shocks when unpredictable medical or other expenses suddenly present themselves. There is an increasing chance of decline in cognitive abilities the longer one lives. And for anyone on a fixed income, there is the effect of compounding inflation. It is disconcerting, for example, to consider that at an average 3% annual inflation rate, the purchasing power of a dollar declines by 50% in 23 years!

All of these factors contribute to diminished ability to weather the inevitable risks and potential downturns.

Pfau summed up the differences in financial planning before and after retirement by recalling the eggs and bacon breakfast he enjoyed that morning. The eggs represent pre-retirement: "The chicken was *involved* in the breakfast." He made a contribution but it didn't threaten his existence. The bacon is aligned with the period of retirement: "The pig was *committed* to the breakfast." There was no turning back.

Citing research that has tested out his theories, Pfau stated, "Reverse mortgages can provide a great resource to help manage investment risk in a retirement portfolio."

"If you have a $1 million portfolio and you plan to draw 4% per year, you have no liquidity," Pfau said.

***New Audience** continued on page 16*

*New Audience continued from page 15*

But if home equity is added, the strategic possibilities increase substantially. Pfau and his colleagues have used Monte Carlo simulations to examine which strategies were best suited to various retirement goals. Conventional wisdom, he said, has been to use home equity as a last resort; after all, one doesn't want to lose one's place to live when there is no longer a steady income. But adding a reverse mortgage to the strategy widens the choices considerably – what Pfau calls, "The Spectrum of Potential Reverse Mortgage Uses." The yield on a HECM can be deployed first, last, or in the middle, and there are advantages to each approach. For example, using a HECM line of credit allows for better management of sequence-of-returns risk. You can depend on your HECM proceeds when other returns are low, or let your HECM balance grow when other returns are doing well. The tenure payment option, Pfau counseled, can be "a really attractive alternative" to a traditional annuity. Or locking in a HECM at current home values can be a protective hedge against falling home prices in the future.

Among Pfau's conclusions were:

- Conventional wisdom hurts retirement sustainability: HECM shouldn't be a last resort.
- There are strategic uses for HECMs: improved retirement sustainability, larger legacy.
- Low-interest rates favor HECM usage (unlike everything else).
- HECMs help the middle class: there are more benefits when home value is large relative to portfolio size.
- Responsible use of HECMs can improve retirement income efficiency.

## Maybe the Greatest Use

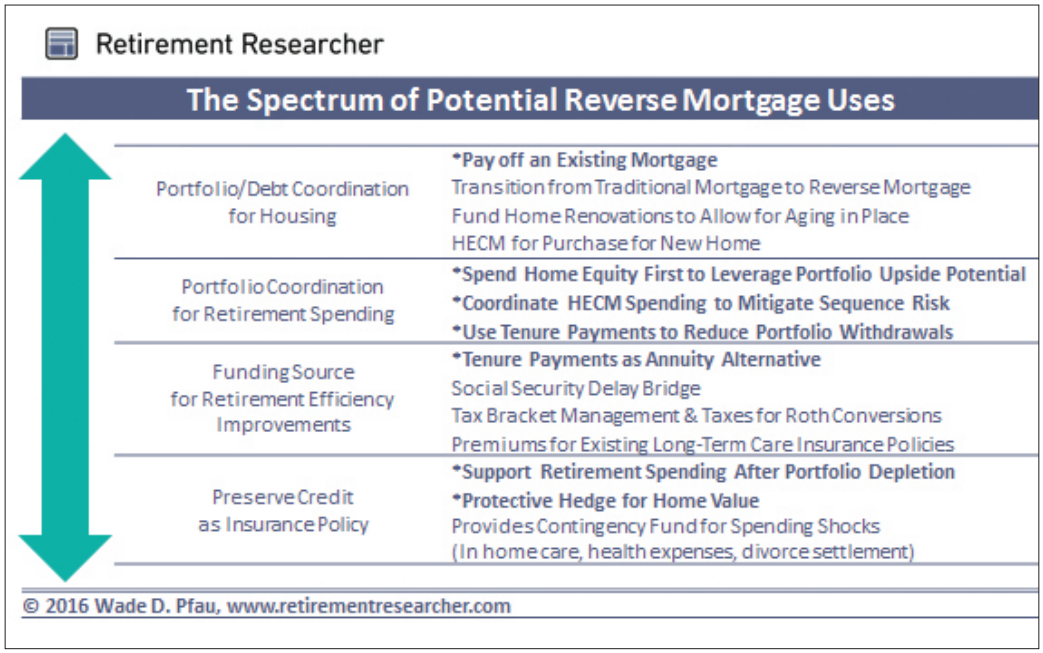
"Caregiving is the obsession with everyone in this aging society," asserted NRMLA Senior Vice President Marty Bell, introducing the session on "Helping Families Fund Caregiving." "Going forward, next to paying off forward mortgages, it may be the greatest use of reverse mortgages." Bell, who also serves as Executive Director of the National Aging in Place Council, was joined for the panel discussion by Robert Blancato, President of Matz, Blancato & Associates consulting firm of Washington, D.C. and new chairman of the American Society on Aging, and Barbara Franklin of Franklin & Associates of Charleston, South Carolina, a company that specializes in long-term care and Medicare planning.

The first thing seniors have to understand is the difference between health care and home care. Medicare pays a large share of health care needs, but it doesn't pay for home care – help with the traditional Activities of Daily Living. Bell cited current averages of $45,750 for a year of daytime care and $137,000 for around-the-clock care.

"There is a denial among Baby Boomers," Franklin observed. "It's not going to happen to me. I run, I exercise." But when a person hits age 65, she says there is a 70% chance of eventually needing long-term care.

Less than 10% of Americans have long-term care insurance, and insurance companies are pulling back on issuing comprehensive policies for both individual and company plans, and raising premiums on the policies they do issue by 20 to 50%. Met Life and Prudential have dropped out of the business completely, and the public is getting scared.

The reason for the long-term care insurance turnaround is what Franklin called pricing and underwriting flaws in estimating longevity and morbidity: people are living



longer and therefore having greater care needs; dementia is on the rise, and fewer people who had policies let them lapse than the companies had predicted. As a result, the companies are not getting their expected yield on cash investment.

"Industry leaders are trying to reinvent and see where we go next," Franklin said. One innovation just getting started is a hybrid, combining long-term care insurance with life insurance or an annuity. In some of the new issues, if the policyholder ends up not needing long-term care, an amount dedicated to that purpose is available as a death benefit.

Due to the current costs and conditions of senior care, there are now 43.5 million unpaid caregivers in the United States, exacting a tremendous emotional, physical an financial toll on families.

As a result, says Robert Blancato: "Caregivers are the sleeping political force in this country. Their needs are real and their voice is going to be heard."

Blancato recently participated in a national Long-Term Care Financing Collaborative that brought together national experts and stakeholders who cross ideological divides in pursuit of a common goal: to improve the way Americans pay and prepare for the non-medical care needed by our frail elders and people living with disabilities to live with dignity and autonomy through consensus-based, concrete policy recommendations.

Among the issues the group explored is giving unpaid family caregivers Social Security credit equal to the work's market value on the principle that they are contributing a valuable service to society. So far, Congress has not seriously considered this.

Another is increasing the permitted paid leave time from jobs so that workers can see to their family's needs.

Bell said there are 13 bills on Capitol Hill and in-state legislatures trying to use the tax code to give some relief. Blancato states, "You can't be serious about helping families with caregivers without tax credits." He adds that Congress seems much more willing to address family leave than to deal with long-term care, which will take at least ten years to fully structure. "Long-term care never gets traction with Congress.

"Big ticket issues, like reviving the tax code, are being postponed until next year. 2017 will be a big year in health care, whether the Democrats or the Republicans win," he predicted.

From the audience, NRMLA President and CEO Peter Bell noted that Hillary Clinton is calling for tax credit support for caregivers and Bernie Sanders has been a big supporter of aid to the aging population. Governor John Kasich expanded Medicare in Ohio against greatopposition. "And we have no clue on Ted Cruz or Donald Trump."

The panelists acknowledged that their discussion and efforts are mainly directed at the middle class. The rich can afford paid caregiving and the poor rely on Medicaid. "Then there is that huge group in the middle who need help," Blancato states. "Housing wealth is particularly important to the middle income constituency." Thus, reverse mortgages have an important role to play in the uncertain and financially perilous realm of caregiving, both as a source of funding the care and capital expenses for necessary home modifications. Blancato advocated exploring the possibility of combining HECM proceeds with public subsidies as a way to finance long-term care.

As Franklin stated, "The private sector can't manage the magnitude of the risk. Neither can the public sector." Therefore, the government and corporations are going to have to come together, possibly with the help of foundations and other elements of the nonprofit sector, if the nation is to come to grips with this ever-growing challenge. RM

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## Balanced Viewpoint (cont.)

*from page 5*

In a recent interview in *Reverse Mortgage* magazine, Ed told us he always anticipated that HECMs would provide "a steady stream of income through regular payments and periodic draws, but not for the proceeds to be fully drawn up front." He was concerned a few years back when fixed-interest draw patterns temporarily affected the stability of the insurance fund. And he was proud that his "team" found new approaches to guide the fund and the program back on track.

In his impressive career, Ed served as a kind of international ambassador for the HECM program. He met with professionals from over 30 different countries, in the past couple of years with many Asian countries facing rapid population growth, to educate them about the thought behind HECM program. He took pride in the fact that HECMs are "the program most nations try to emulate."

All of us in the reverse mortgage industry, as well as elder Americans and citizens all around the world, were extremely fortunate to have Ed Szymanoski on our team. He made our lives better. RM

# HMBS Update

## *Ginnie Mae Promises Big Changes*

By Bendix Anderson

**OFFICIALS AT GINNIE MAE PLAN TO HELP THE** reverse mortgage business run more smoothly and – hopefully – attract more companies to issue and service bonds backed by reverse mortgages.

"We know there is a lot of work to be done and now is the time to do it," said Michael Drayne, Senior Vice President in the Office of Issuer and Portfolio Management for Ginnie Mae. "This is issue number one for Ginnie Mae." Drayne was the keynote speaker at the National Reverse Mortgage Lenders Association (NRMLA) Finance & Investment Forum, held April 5 in New York City.

Within just a few months, Ginnie Mae will announce the details of what Drayne calls an "HMBS Modernization Program" that will be implemented over the next one to two years. Modernization will hopefully ease the strain on bond issuers as the pool of existing reverse mortgage loans mature, forcing issuers to put more money into the deals. Easing the strain on issuers will hopefully attract more issuers into the business.

"There is a lot of liquidity strain on issuers," says Reza Jahangiri, President of American Advisors Group, an issuer based in Orange, Calif. "We are glad to see Ginnie Mae is working on finding a good liquidity solution."

### Maturity is hard

HECM loans are pooled into HECM mortgage-backed securities insured by Ginnie Mae. When loans reach 98% of the maximum claim amount, they must be purchased out of the pool by the Issuer and assigned back to the Federal Housing Administration.

"I don't think the founders of the program anticipated how imposing the issue of having to buy loans out at 98% was going to be," says Drayne. Issues, like tax and insurance defaults, can delay the process. "If you're a Ginnie Mae issuer… there is a lot more occasions where you have to put out cash and that cash is going to be out there a lot longer."

Over 45% of the HECM loans as of February had unpaid principal balances larger than 75% of the maximum claim amount. Only 25% had unpaid principal balances below 50% of the maximum as February 2016.

*"We know there is a lot of work to be done and now is the time to do it… This is issue number one for Ginnie Mae"*
—Michael Drayne, senior vice president, Ginnie Mae

"You see loans getting closer and closer to the 98%," says John Kozak, HMBS Account Executive for Ginnie Mae. "As the portfolio matures, more and more loans are getting closer to the mandatory repurchase point."

More than two-thirds of HECM borrowers are between 66 and 80 years old, while 3% of the borrowers are over 90. Several are 100.

As the business matures, the total amount of HECM mortgage-backed securities (HMBS) is growing more and more slowly. The total unpaid principal balance of all reverse mortgages grew quickly in fiscal 2010, rising 195% to a little less than $20 billion, from much less than $10 billion in fiscal 2009. A few years later, the total unpaid principal balance grew just 7% in fiscal 2015 to reach a little more than $50 billion, up from a little less than $50 billion the year before.

### A handful of issuers

Only a few companies are responsible for most of the pools issued – and very few of those companies are banks.

The top three issuers account for more than 50% of the issuance: American Advisors Group, Reverse Mortgage Solutions and Finance of America Reverse (formerly Urban Financial). The top five issuers account for 75% of the issuance. None of those top five issuers are commercial banks.

That can make liquidity issues more challenging, since banks typically come with large balance sheets that can finance most of their short-term liquidity needs. "Banks that may find it easier to deal with these [liquidity] issues continue to stay away," says Ginnie Mae's Drayne. "I don't think that's going to change."

Large banks, such as Wells Fargo Bank, left the business of issuing HMBS in recent years. "We only have three depository institutions," says Ginnie Mae's Kozak.

The small size of the market for HMBS has been a self-fulfilling prophesy. "If the market were bigger, a lot of these problems would solve themselves," says Tim Isgro, Chief Investment Officer at Reverse Mortgage Funding, an issuer based in Bloomfield, N.J. "Banks got out because of the size of the market."

New rules have also driven many banks out of the business, perhaps for good. Capital regulations now require depository institutions – meaning banks that care for the savings accounts of regular people – to keep more capital on hand as reserves against their riskier investments. That includes the Dodd Frank Financial Reform law in the U.S. and the Basel III banking rules internationally.

## More HMBS on the market

It's early to know, but already issuance seems to be up for the year. So far, 16 companies issued $4.1 billion in HMBS in fiscal year 2016. That's a rate of $826 million per month. That's up from $726 million a month in fiscal 2015 – a rate of issuance that eventually added up to $8.7 billion for fiscal 2015.

"We had record issuance last year and we are doing pretty well for this year," says Chris Verrillo, Vice President for Bank of America Merrill Lynch.

The prices bond investors pay for HMBS have moved a little over the last year, falling slightly for new-issue floating-rate HMBS, and falling and recovering for fixed-rate HMBS. However, the yield HMBS investors get for their bonds has changed dramatically compared to benchmark rates, like U.S. Treasury bonds.

"HMBS spreads widened dramatically in the second half of 2015," says Verrillo. "There are very few markets where bonds trade at these premiums."

Despite attractive yields – and a Ginnie Mae guarantee – investors have not yet poured into the market for HMBS. That's one of the reasons yields are still high relative to Treasuries and single-family MBS. "Side by side with single-family bonds they look great," says Michelle Williamson, for Nomura Securities based in New York City. "Once people start looking at them and run the numbers it's a home run. It's a challenge to get people to look at them." RM

## No Quick Refinancing

*Industry players have also issued guidelines to improve the reverse mortgage business.*

*To avoid quick refinancings that move borrowers very quickly from one HECM product to another, last October the National Reverse Mortgage Lenders Association (NRMLA) issued it's "Ethical Refinancing of HECM Reverse Mortgage Loans and Anti-Churning Considerations — New Requirements" (NRMLA Ethics Advisory Opinion 2015-2).*

*Loan originators may be tempted to sell borrowers on a new loan – the ethics letter puts a limit on that temptation. The letter asks reverse mortgage issuers to resist the temptation to refinance an existing HECM with a new HECM less than 18 months of closing the first loan. The letter also puts other self-imposed industry limits on lending. For example, an increase to the principal limit of a loan refinancing should be at least five times larger than the cost of closing the new loan.*

*The ethics letter is not binding but will hopefully help avoid episodes like 2014, when a change in the Federal Housing Administration's reverse mortgage program motivated companies to refinance a large number of reverse mortgages made in 2013 into the new 2014 product.*

*"Volume took a pretty significant hit," says Bryan Faron, a financial advisor for Brean Capital based in New York City.*

*Some industry experts hope federal officials will considering making NRMLA's self-imposed limits a permanent part of the program."It would be great if it were more than an ethics letter and was Ginnie Mae policy," says Chris Verrillo, Vice President for Bank of America Merrill Lynch.* RM

NEW RESEARCH

# Equity Extraction Motivations

## *HECMs vs. HELOCS vs. Cash-out refi*

**"THE PREVALENCE OF HOME EQUITY EXTRACTION** tends to follow trends in the macroeconomy," according to a new report issued by a team of researchers from Ohio State University, the University of Wisconsin-Madison and the Federal Reserve Board.

The probability that a household will decide to extract home equity is affected by housing prices and credit availability. These factors are also determinants in the equity extraction channel they select—home equity lines of credit (HELOCs), cash-out refinancing or home equity conversion mortgages (HECMS). A prior study published in the *American Economic Review* (Mian and Sufi 2011) found that credit constrained borrowers—with lower credit scores and higher credit utilization rates—were more likely to extract equity from their homes in response to increasing house prices during the house price boom period of 2002 to 2006. But does this hold true for senior homeowners? Does this differ by channel of equity extraction? Are credit constrained seniors more likely to extract equity through HECMS, for example, than other channels of borrowing?

The new working paper entitled, "**How House Price Dynamics and Credit Constraints Affect the Equity Extraction of Senior Homeowners,"** is the latest study authored in part by Stephanie Moulton of the John Glenn College of Public Affairs at the Ohio State University. Moulton and her team have been studying various aspects of reverse mortgages for the past few years. *Reverse Mortgage* magazine has had the honor of presenting much of Moulton's research and she has been a frequent speaker at NRMLA conferences. For this particular analysis , Moulton has collaborated with Samuel Dodini of the Federal Reserve Board, Donald R. Haurin of the Department of Economics at OSU, and Maximilian Schmeiser of Amazon and the Department of Consumer Science, University of Wisconsin-Madison.

An explanation of the data collected for this research, as well as the final conclusion of the researchers, appears later in this piece. The data runs from 2004 to 2012, and so it has not incorporated the results of alterations made to the HECM program after 2013, including draw limitations, MIP charge changes and financial assessment. But the information thoroughly discussed in the 39-page working paper includes:

### Decision making

There are two decisions that senior households need to make: the first is whether to tap into their home equity, the second is which channel providing home equity extraction they prefer to utilize.

Factors that enter into this decision making include:

- House price dynamics
- Current credit conditions
- Borrowing costs
- Current and anticipated changes to income
- The utility to be derived from extracting now as opposed to in the future.

***Equity Extraction** continued on page 22*

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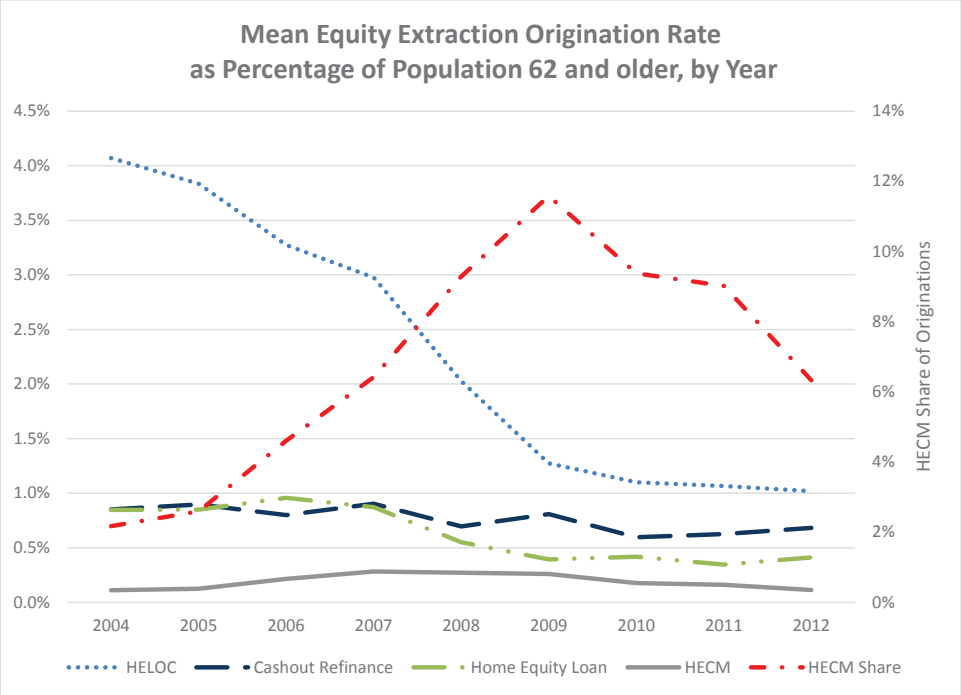
*Equity Extraction continued from page 20*




## Geographic distribution

The researchers, whose data included information by ZIP code, found significant geographic variation in the distribution of the four different types of equity extraction loans.

In particular, areas with greater credit constraints—as indicated by lower median credit scores among senior households—had a higher proportion of cash-out refinancing loans, followed by HECMs and second liens among seniors. On the other hand, an increase in the median credit score in an area was associated with an increase in the proportion of HELOCs among senior households in an area.

As house prices were increasing, senior households in credit constrained areas were more likely to extract equity through cash-out refinancing—similar to the findings of the study by Mian and Sufi (2011). However, seniors in credit constrained areas were not more likely to extract equity through HELOCs, second liens or HECMS as house prices were increasing. Further, HECM originations increased as house prices began to fall in an area. Thus, the factors influencing equity extraction, such as responsiveness to house price increases (or decreases), vary by channel of extraction.

## Data Sources *(Directly from the report)*

Our primary source of data is the Federal Reserve Bank of New York/Equifax Consumer Credit Panel (CCP), a five percent random sample of active credit files in the United States supplemented with the credit data for all other people who reside at the same street address as the primary individual. The CCP is a panel dataset that begins in the first quarter of 1999 and is updated quarterly to account for deaths, credit files becoming inactive, and newly created credit files. It contains approximately 40 million credit files in each quarter. The CCP data are used to construct equity extraction and credit measures from credit profiles for individuals ages 62 and above on an annual basis for our sample years 2004 through 2012, aggregated to the ZIP code level. We supplement the CCP dataset with loan-level data on all HECM originations from the U.S. Department of Housing and Urban Development (HUD) for the same period (697,772 loans), aggregated to the ZIP code level.

Indicators for home prices are drawn from the CoreLogic house price index (HPI) dataset. This includes CoreLogic's repeat sales house price index for non-distressed sales and the median sales price, both at the ZIP code level, for each year in our sample. Time-varying measures of household income are derived from IRS market segment data from the IRS Stakeholders, Partnerships, Education, and Communication (SPEC) unit, which we use to construct the median adjusted gross income (AGI) from senior tax returns by ZIP code for each year. Finally, to construct the number of seniors in a ZIP code and the minority share, we extract data from the U.S. Census Bureau's American Community Survey (ACS) for the years 2005 to 2012, using data from the 2000 U.S. Census to interpolate values for 2003 and 2004.

## Conclusions *(Directly from the report)*

We find that while the use of forward mortgage channels increases as house prices increase, the use of HECMs increases in areas where house prices are declining. This makes sense, as HECMs can be originated as a hedge against future house-price declines. Despite concerns that

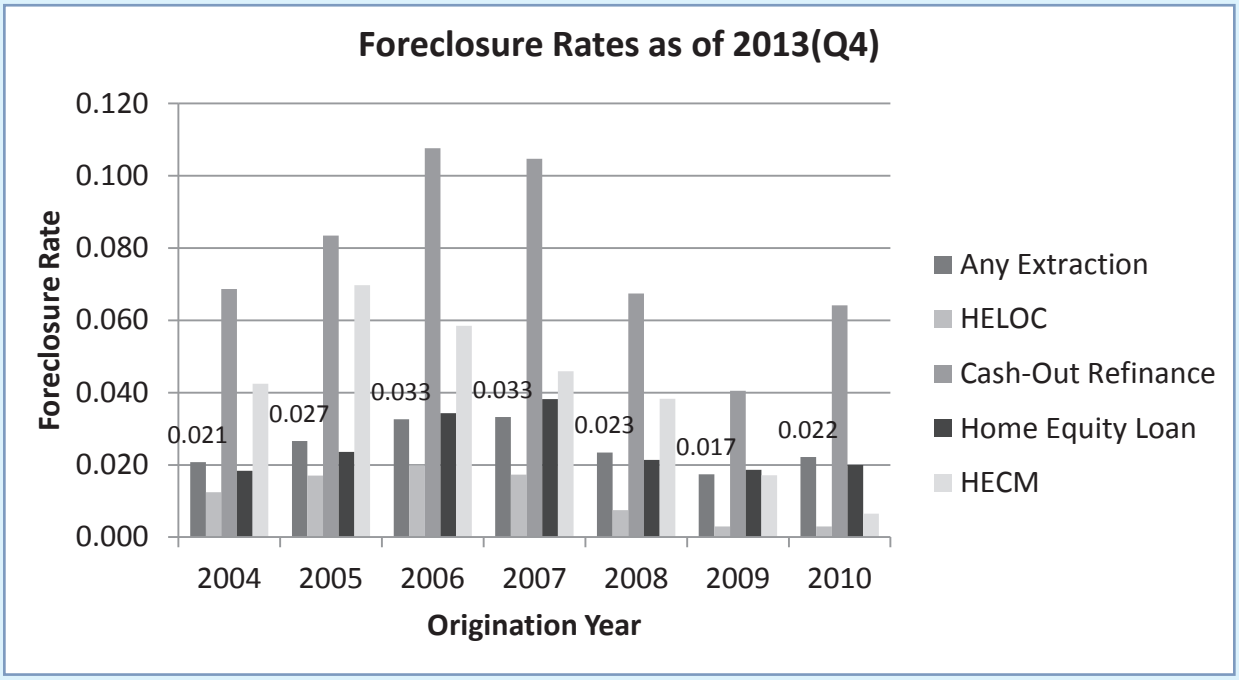
HECMs may be adversely selected by borrowers with the highest credit risk, our findings suggest that cash-out refinances were much more likely to be utilized in areas with a higher share of lower credit score individuals. On the other hand, HECM usage is the least sensitive of the extraction channels to credit availability, likely due to lack of risk-based underwriting criteria for HECM loans. The greater incidence of HELOCs in areas with relatively higher credit score borrowers is consistent with HELOCs being a preferred method of home equity extraction given their flexibility as revolving credit, but also with HELOCs being more heavily underwritten by financial institutions, thus limiting their availability to low credit score borrowers.

Prior research on equity extraction finds that credit-constrained borrowers were most responsive to increases in house prices during the housing boom, where individuals with lower credit scores and higher revolving account utilization rates were more likely to borrow against home equity in response to house price increases. Our interaction results suggest that this effect depends on the channel of extraction. For cash-out refinancing, areas with greater credit constraints are more responsive to house price increases. However, the opposite is true for HELOCs; increases in credit constraints are associated with reduced responsiveness to house price increases. HECMs fall in between. Thus, credit-constrained senior homeowners respond to house price increases through cash-out refinancing, while less constrained homeowners respond to increases in house prices through HELOCs. Overall, there are no uniform responses to changes in house price or credit constraints applicable to all areas or all extraction types. Equity extraction is the result of a more complicated decision process that responds to the interplay between house price dynamics, racial makeup, credit availability, financial understanding, and institutional policy.

## Foreclosure

Finally, we find that the channels of equity extraction are correlated with subsequent foreclosure rates. We observe the expected intertemporal differences in overall foreclosure rates of equity extractors over 2004 to 2010 (through 2013). We also find substantial differences in foreclosure rates by channel of extraction, highest for those with cash-out refinanced mortgages, followed by HECMs, home equity loans, and HELOCs. Once the differences in characteristics of extractors are accounted for, we continue to find that areas with a high proportion of cash-out refinances have a relatively high foreclosure rate. However, there is no statistical difference in foreclosure rates among the other channels. RM

**Foreclosure Rates as of 2013(Q4), by Origination Cohort and Extraction Channel**



# A Day in the Life

## *Sarah Aaronson plans for us all*

By Jessica Hoefer

**November 15th, 6:00 am:** It's a cool and misty Sunday San Francisco morning and Sarah Aaronson, NRMLA's Meeting Planner, is concerned about the weather. She has 70 volunteers walking to the Curry Senior Center for a service project and 24 golfers scheduled to play at Presidio Golf Course later that morning. Rain was not part of her plans.

*Sarah Aaronson leads auction at Curry Center fundraiser.*

**7:15 am:** Sarah and the first shift of volunteers congregate in the lobby of the Palace Hotel. Each attendee is personally checked in. Before leaving, Sarah calls rooms and cell phones to ensure no one is left behind. She is prepared with coffee and pastries, which the volunteers help themselves to, while Sarah provides instructions and reminds them to wear comfortable shoes. Walking together is important to Sarah, as it is a great way for new and veteran attendees to interact with each other. It's one of the "meticulous details" that Sarah is known for. A smile crosses her face as she overhears friendly chatter and new friendships and business relationships being formed. Sarah's attention to details only adds to her stellar reputation.

That reputation that preceded her as the assistant director of sales at The Ritz-Carlton, San Francisco, where she met Peter Bell, President & CEO of NRMLA. Bell appreciated her level of detail and was eager to bring her aboard. "Sarah is one of the most effective conference executives I've ever met because she has such a pleasant way of being gentle, yet persuasive, which brings such strong support from the hotel personnel, vendors and sponsors we deal with. In addition to how well she handles our participants and guests, she makes me feel comfortable and hosted at our own events," says Bell.

**8:00 am**: Around 8 am, Sarah and the volunteers arrive at the Curry Center which provides services to seniors, in the Tenderloin district. Sarah has organized this service project, in collaboration with the Center, as part of NRMLA's Annual Conference. Lining the center's hallways are hundreds of boxes of crackers, peanut butter, tuna, Asian noodles, canned soup, and more, all generously donated by sponsors. Sarah has diligently coordinated with the Center so a plan is in place to break down boxes and stack the food for an assembly line to begin filling 400 tote bags. Another group is writing personalized Thanksgiving note cards to place in each bag. Shift 1 ends with smiles and a group photo in commemoration.

**9:30 am:** With a background in hotel management, conference planning was a natural extension for Sarah. She used her degree from California State University Chico, and her knack for sales, to create some memorable events over the past eight years, so she knows instinctively how this day is going to unfold. Around 9 am, Shift 2 arrives. Per a pre-arranged plan with Executive Director Tod Thorpe, volunteers are split into three groups. Group 1 sets up to play BINGO with the seniors. Sarah asked each volunteer to donate an item for the winners, socks, scarves, etc., "they had so many items donated that the Center is still using them as prizes."

Group 2 dons gloves and hairnets to serve breakfast to nearly 200 needy visitors, while Group 3 hands out the Thanksgiving totes to seniors.

All the while, Sarah wanders around offering water and snacks to volunteers. She also maintains contact with colleagues back at the Palace Hotel, who are preparing to open NRMLA registration for 600 attendees. She confirms that setup for 20 exhibitors and sponsors, as well as registration, is running smoothly.

**11:00 am:** By the time Shift 3 arrives, word is out in the neighborhood not to miss BINGO, so the room is filled to capacity with feisty seniors anxious to win. The cheers and laughter are contagious. Sarah notices the overwhelming responses volunteers are having to the thankful and sometimes teary-eyed seniors.

**1:00 pm:** As the last volunteer leaves, everyone at the Center, including Sarah, is feeling euphoric. More than 400 meals and totes were prepared and served to area seniors. Sarah said, "It was incredible to see the happy faces throughout the day. It was the most rewarding experience I've had in my 20 years in this business."

As Sarah finishes up at the Center, she can't help but remember how this all got started. Months earlier, Sarah and Peter Bell met to discuss the annual conference. Bell was "interested in providing a more meaningful experience for attendees and sponsors." Sarah suggested a survey on sponsor experiences and expectations. The result of which was, sponsors were interested in a service project initiative similar to one hosted in New Orleans and San Antonio. Sarah, thorough as always, had conversations with those involved and realized "there was an incredible opportunity to build a community service project for seniors that reflected the values of NRMLA." With both physical and financial support from sponsors, The Art of Thankful Giving was conceived.

**2:00 pm:** After leaving the Center, Sarah heads back to The Palace where NRMLA's Annual Meeting & Expo is being held. Aside from the great location and wonderful service, it is one of Sarah's favorite hotels, because the "historic property's architecture and authentic elements add character, yet it is kept current with its modern décor." The same can be said for her other favorites, The Breakers in Palm Beach and The Harbor View in Martha's Vineyard. Once there, Sarah checks to see that all conference materials have arrived and are ready for the following morning.

**5:00 pm:** Before she knows it, it is 5:00, but there is no rest for the weary, there are more details to attend to. Per her usual routine, Sarah has already done a walk-through of the facilities and checked out the conference rooms and exhibit hall. Her detailed specs were sent a month in advance and include comprehensive diagrams and notes. Sarah knows first-hand unforeseen incidents can, and will, arise, like rain in a ballroom destroying an exhibitor's booth or a lost family heirloom. In both instances, Sarah's impeccable training, along with top-notch services from the venues – prudently chosen – leads to the recovery of the lost heirloom and a gentleman's agreement regarding the destroyed booth.

For Sarah, the most crucial part of her job is the balancing act between NRMLA's needs, attendee expectations, hotel limitations, and dealing with the unique service personalities of 15 different cities. It is all about the positive experience, which is why when looking for hotels or venues she always considers location, price, and quality of service. She also looks at the composition of each group and determines locations based on demographics.

**November 16th, The 17th Annual NRMLA Meeting begins:** The following day, Sarah checks on the meeting room and audio-visual setup, walks the exhibit hall, and verifies breakfast and beverage stations. During the opening general session, Sarah delivers updates from the previous day. It's her first time speaking at a meeting, but she doesn't break stride, she delivers a regaling account of the service project while simultaneously promoting the evening's reception, The Art of Thankful Giving, an industry event and fundraiser, in the Terra Gallery, to raise money for the Curry Center.

**6:00 pm:** Prior to the reception, Sarah does one last inventory of auction items that she's been collecting for months, confirms the professional auctioneers provided by NRMLA sponsor LRES are in place, and that the band and food stations are ready. Among the auctioned items are a vacation home in LaQuinta, a Cavaliers basketball and 49ers helmet, signed by the teams, and a yacht.

**7:00 pm:** As the reception commences, hundreds of attendees gather to celebrate and show their support at live and silent auctions. By its completion, The Art of Thankful Giving has raised $45,000 in cash and in-kind donations.

Following another highly successful conference, Sarah looks forward to returning home to Modesto, CA, where her family—husband Todd and their three boys—is the third generation of peach/nectarine growers. But being home doesn't mean relaxing: Sarah is already talking to hotels and venues all around the country, planning for meetings in 2016/2017 and beyond. RM

CRMP: Across the Kitchen Table

# Building Real Estate Relationships

By Monte Howard, CRMP

**SHARON WAS ON THE VERGE OF A LIFE-CHANGING** decision: as a single woman of 61 years without significant assets, she faced a very uncertain future. By selling her three-bedroom tract home in North San Diego County near the top of the market, she was able to net about $530,000. Her long-term comfort and security depended on how wisely she managed this asset leaving little room for error.

It was late 2006 and the rise in the cost of living in California showed no sign of slowing down. The lower cost of real estate in Grand Rapids, Michigan allowed her to pay $250,000 cash for a beautiful two-story colonial. After covering her moving costs, Sharon was also able to invest another $250,000 in an annuity that would provide additional income in her later years.

She would be near her grandchildren with enough money to live and the winters didn't bother her: after all, she remembered snow storms from her youth. What could possibly go wrong?

What indeed? With a firm hand on the tiller and her carefully-considered plan to guide her, Sharon was sailing directly into the perfect storm. Her grandchildren were quite busy with their own lives, often leaving Sharon to fill her time on her own. She was working hard to make a few friends and to find meaningful activities and part-time employment.

Then, seemingly overnight, a particularly harsh winter descended. After dealing with two feet of snow on her sidewalks and driveway twice in the same week, Sharon realized that her childhood memories of winter had left her completely unprepared for the reality of blizzards, ice storms and weeks of below-freezing temperatures. It was the isolation though, brought about by the bad weather, that Sharon found to be even worse than the physical effects of winter.

Within six months, she longed for the life she had left behind in California. Unfortunately, the perfect storm had not yet reached its peak: when the real estate bubble broke in 2007, Grand Rapids was often in the news as one of the most devastated housing markets in the US.

Sharon was rapidly losing the equity in her home and had no chance of buying back into the San Diego real estate market through any conventional means. That's when I was brought in as a Reverse Mortgage Professional to work closely with one of her other friends, real estate broker, Bob Davis, to develop her escape plan: Sharon would price her home under the market in Grand Rapids and return to San Diego with what was left of her equity. Bob would work to find the right home which Sharon would purchase with conventional financing and then I would assist her with a reverse mortgage to eliminate her monthly payments.

The plan wasn't perfect, but at that time, it was the best we had. Sharon would need to find full-time employment or multiple part-time jobs in order to qualify for a traditional mortgage and keep them until we could replace her mortgage with a HECM. Unfortunately, each time Sharon lowered her price, the market went even lower and it took another year-and-a-half for her to limp away from Grand Rapids with $130,000 in her pocket.

But as it turned out, the delay worked in her favor. It was now 2009 and HECM for Purchase made its debut. By working in close coordination, Bob Davis and I were able to assist Sharon with finding and purchasing the perfect home. There were more than a dozen offers on the property she preferred and the reverse purchase allowed Sharon to come in with the best offer.

With support from her home purchase team, Sharon won the day, becoming one of the first people in the US to benefit from HECM for Purchase. The result has been truly life-changing for her.

Sharon's reverse purchase was the beginning of my relationship with realtor Bob Davis. Based on our initial success, we went on to actively market together to seek out additional prospective clients by conducting consumer workshops. I am the primary presenter in these workshops, which cover all aspects of reverse mortgages. Bob (or another Realtor I may be working with) appears as a guest speaker who is an expert on the local real estate market.

This keeps the presentation relevant to attendees who are not interested in relocating, as well as those who are: everyone is interested in the market for homes in their neighborhood. Bob has also introduced me to the broker who owned his real estate office and has frequently recommended me to other real estate agents.

The ways Bob and I have worked together can serve as an example for any Reverse Mortgage Professional who wants to develop a strong Reverse Purchase business. There are many ways to build a collaboration other than through workshops: I co-hosted a weekly radio program in San Diego with another top-producing Realtor and have attended other agents' open houses with reverse purchase information for potential buyers. The specifics of what you do in your marketing is less important than the relationships you make.

Once you have successfully completed a reverse purchase, you will have at least one new ally—the buyer's agent—and usually a second—the listing agent to whom you are likely to have been a happy surprise.

According to a study by Better Homes and Gardens Real Estate, of the one million Baby Boomers who reach retirement age every 100 days, 57 of them don't like their current homes. Like Sharon, many are trapped by limited home equity and don't have enough to sell their home and pay cash for their dream retirement home. Many can't retire due to their current mortgage payment.

As reverse mortgage professionals, we can help clients shoot for the retirement trifecta: They sell their current home, use the proceeds as the down payment on the reverse purchase of their dream retirement home and, because they no longer have a mortgage payment, they can then actually retire.

So as you employ HECM for Purchase to uniquely solve problems for retirement-age clients, remember that two real estate professionals will share in that success, and will have earned a commission they may not have received without you. I promise, they will not forget you! RM

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# Who's Who in Reverse Mortgages

## *Member News*

### FAR Expands Retail Sales Force

Finance of America Reverse LLC (FAR) hired industry veterans David Cook and Elena Katsulos as Reverse Mortgage Specialists in its field retail division. Prior to joining FAR, David Cook's background includes over 50 years in the mortgage banking industry, including stints with Financial Freedom Senior Funding, World Alliance Financial, Network Funding, Liberty Home Equity Solutions and, most recently, Georgetown Mortgage. Katsulos has worked as a reverse mortgage originator since 2005, starting with Reverse Mortgage Associates. She has also worked at 1st Financial Reverse Mortgages, Jefferson Bank of Florida, and 360 Mortgage Group.

### LRES Acquires InsideValuation®

LRES, a national REO and appraisal management company based in Orange, CA, acquired InsideValuation®, a provider of commercial and residential evaluations. Headquartered in Reno, Nevada, InsideValuation brings to LRES its commercial and residential interagency-compliant evaluations, performed by its network of more than 25,000 field agents. Through this acquisition, InsideValuation's hybrid and appraisals products can now be produced under LRES' AMC licenses with jurisdictions in all 50 U.S. states and complying with state regulations.

### Birdsell Receives Tech All-Star Award

Jeff Birdsell, CMB and Vice President of Professional Services for ReverseVision, Inc., was honored with *Mortgage Banking* magazine's Tech All-Star award. MBA Chief Economist Mike Fratantoni and *Mortgage Banking* Editor-in-Chief Janet Hewitt presented Birdsell with the award during the MBA's National Technology in Mortgage Banking Conference in Los Angeles, California. Birdsell has been a prime contributor to some of the industry's most prolific software solutions over the course of his 25-year career. Most recently, Birdsell helped introduce ReverseVision's RV Exchange (RVX) reverse mortgage software. Birdsell was a founding member of NRMLA's Board of Directors and the first Secretary, He was elected last fall to serve on the Board of Directors during the 2016 term.

### Accenture Launches Cloud Technology

Accenture Mortgage Cadence has transitioned all of its clients – more than 600 mortgage lenders across the United States – to the Accenture Mortgage Cadence Cloud, helping lenders better manage loan-processing cycle times, increase system reliability and seamlessly leverage product upgrades. "Today's digitally savvy borrowers expect the same kind of quick, efficient service from their mortgage lender that they get from online retailers and other services," said Keith Moore, Software Cloud and SaaS Support Executive for Accenture Mortgage Cadence.

## *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℠ 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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*sapanay@fareverse.com or (855) 778-7226*

## 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*

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## 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*

Member Profiles

## National Field Representatives

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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*
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## 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 Announces Updates to Financial Assessment Guide and HECM Policy Handbook

Officials from the Department of Housing and Urban Development announced pending revisions to the Financial Assessment & Property Charge Guide and a new section being added to the Single Family Housing Policy Handbook 4000.1 devoted exclusively to reverse mortgages. Commenting on the revised FA Guide, Phil Caulfield, a policy analyst within the Office of Single Family Housing and one of the chief architects behind financial assessment, said, "This is going to happen by mortgagee letter very soon. Much of the content is going to be the same as the current Guide, but we have gained a fair amount of experience with Financial Assessment. We have received feedback from the industry about what you don't fully understand and what needs to be clarified, so we are taking the opportunity to cover these issues in the revised Guide." You can find more information at NRMLAonline.org.

## Relief Given to Defaulted Borrowers

The U.S. Department of Housing and Urban Development has provided servicers with new options to cure loans in technical default for non-payment of property taxes and homeowners insurance in lieu of calling them due and payable or proceeding with foreclosure.

Mortgagee Letter 2016-07 took effect immediately and:

- allows servicers to create repayment plans for defaulted T&I loans where foreclosure had been initiated, or for loans at, or approaching, 98% of the maximum claim amount;
- allows servicers to delay submitting a Due and Payable request to HUD for tax and/or insurance default amounts of less than $2000; and
- provides servicers with the option to use its own funds to cure a T&I default, as long as the servicer does not add said amount to the loan balance, submit a claim to FHA seeking a reimbursement, or assign the loan to HUD for a period of three years.

Members of the Servicing Committee discussed these regulatory changes and what they mean for HECM borrowers at the Eastern Regional Meeting in New York and will do so again at the Western Regional Meeting in Huntington Beach, CA, May 10-11.

## Senior Home Equity Hits $5.83 Trillion Mark

An estimated $140.2 billion increase in the aggregate value of homes owned by seniors drove their share of home equity to $5.83 trillion and fueled the NRMLA/RiskSpan Reverse Mortgage Market Index (RMMI) to an all-time high of 203.20 in Q4 2015 compared to 198.53 in Q3 2015.

On a year-over-year basis, the RMMI – a quarterly measure that analyzes trends in home values, home equity, and mortgage debt held by homeowners 62 and older – increased 8.1% in 2015, compared to increases of 7.8% in 2014 and 17.5% in 2013.

NRMLA distributed a press release announcing the number figures, which got picked up by numerous media outlets, including Bankrate.com's Senior Living Blog written by Dr. Don Taylor.

## HUD Reminds Counselors of New Software Tracking Feature

The Department of Housing and Urban Development reminded housing counselors that the Reverse Mortgage Analyst (RMA) software has a new feature that allows them to create and track client responses to the required questions asked during counseling sessions.

Based on current usage reports, HUD said only 11% of counseling agencies have utilized the feature since its inception on December 3, 2015. The questions posed by counselors throughout the counseling session are designed to confirm that the prospective borrower comprehends the basic features of reverse mortgages and their responsibilities once the loan closes.

The software modification allows agencies to track overall responses to the questions that must be asked of prospective HECM borrowers by counselors, and analyze those responses to determine potential areas for improvement for future counseling sessions. HUD also analyzes the responses to determine where additional HECM counselor training may be needed.

Counseling agencies may store client responses electronically or print out the responses to create a paper record. HUD said counseling agencies are strongly encouraged to use the RMA tracking feature to ensure HECM client files meet the requirements of HUD Handbook 7610.1 REV-5, Chapter 5-7 and Appendix 4, Attachment 3. As part of OHC performance reviews, responses by HECM counseling clients for the required 10 questions must be documented and available for reviewers.

HECM counselors are required to use the RMA software, which includes its respective features, including the 10-question feature, for all counseling sessions. In addition, the use of the Financial Interview Tool (FIT) for all clients and Benefits CheckUp (BCU), for clients at or below 200% of the Federal Poverty level. In addition, agencies are encouraged to consider using BCU for all clients regardless of income level, as it may demonstrate benefits they are eligible to receive. Any questions regarding this guidance may be directed to Housing.Counseling@hud.gov.

# The Caregiving Funding Gap

At NRMLA's Eastern Regional, a panel entitled "Helping Families Fund Caregiving" provided a snapshot of this growing American problem.

**$45,750**

Annual cost of daytime caregiver (44 hours per week)

**17%**

Percentage of workforce also providing care

**$137,000**

Annual cost of round-the-clock caregiver

**43.5 million**

Number of family members providing unpaid care

**50%**

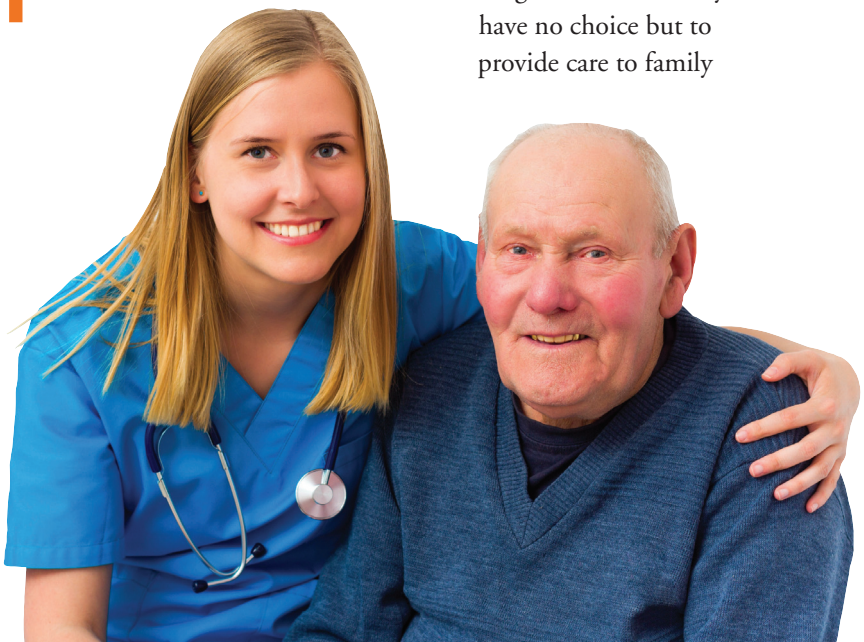
Caregivers who feel they have no choice but to provide care to family

**$450 billion**

Value of unpaid care nationally

**52%**

Americans over 18 who expect to provide care to relative in next 5 years



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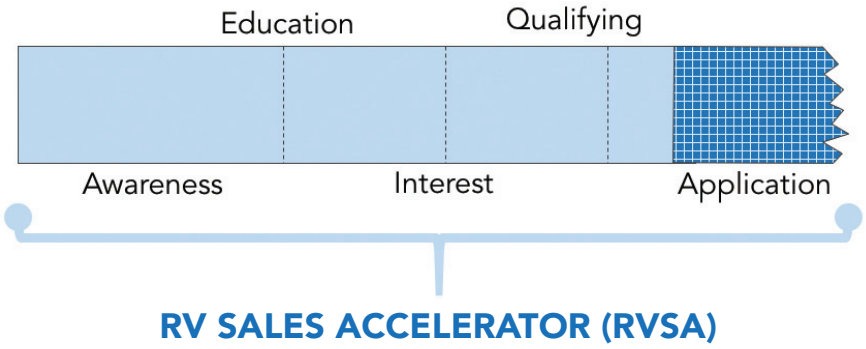


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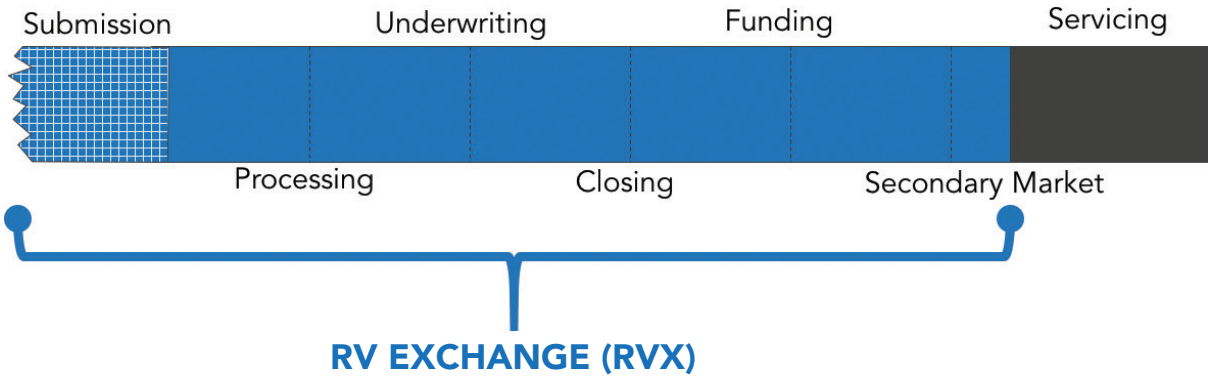


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