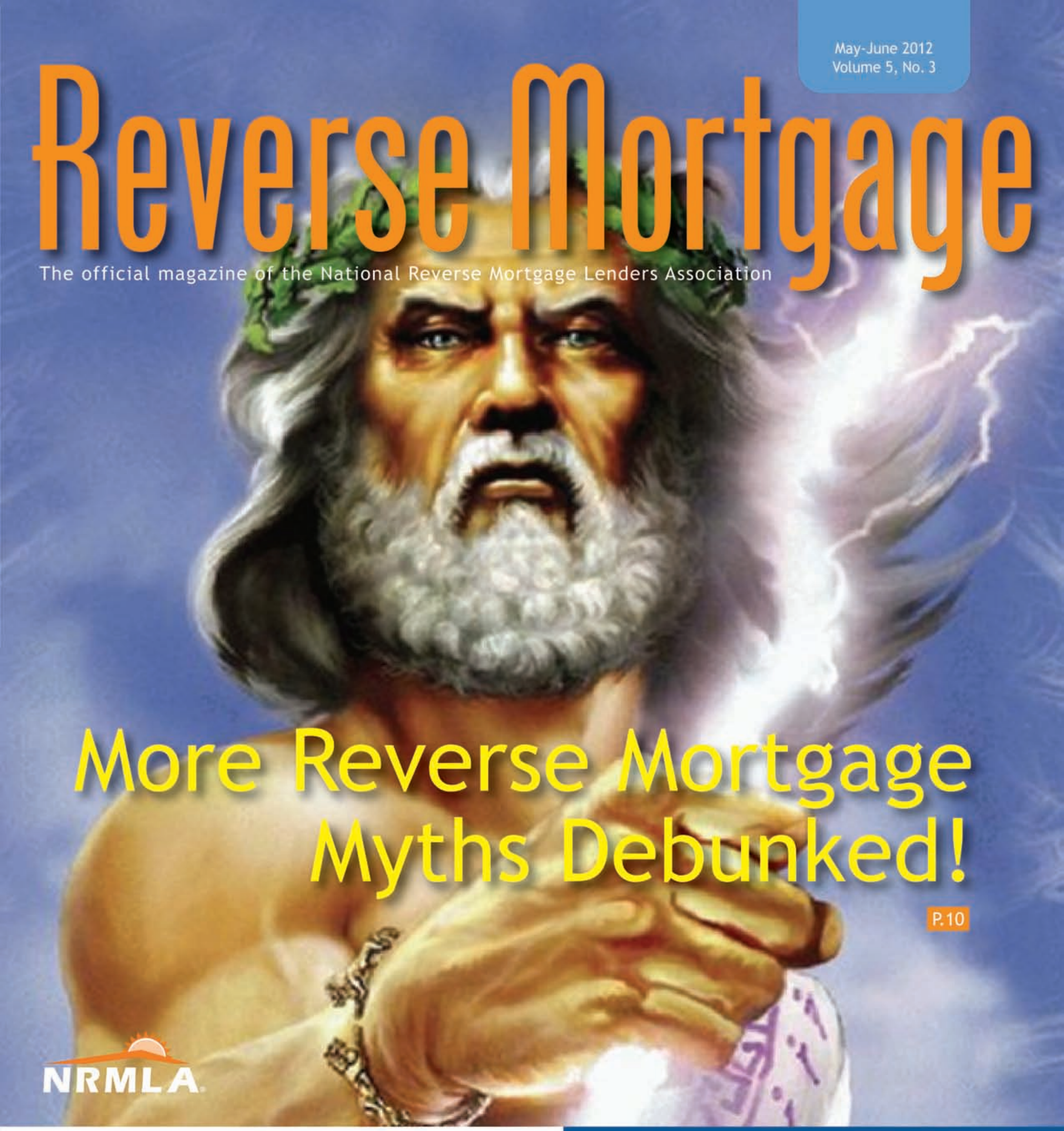
May-June 2012
Volume 5, No. 3

# Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association



## More Reverse Mortgage Myths Debunked!

P.10

NRMLA

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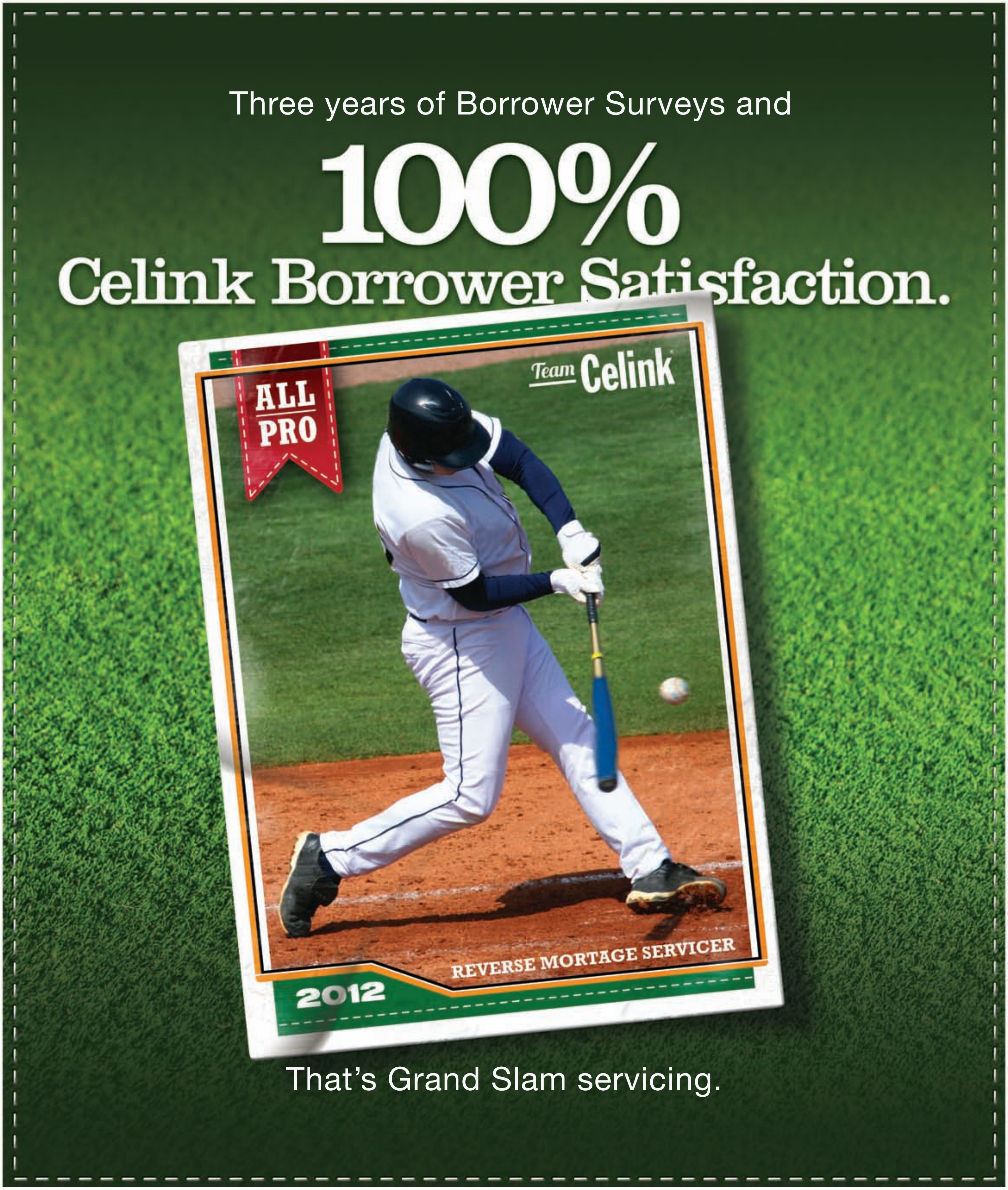


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May-June 2012
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NRMLA

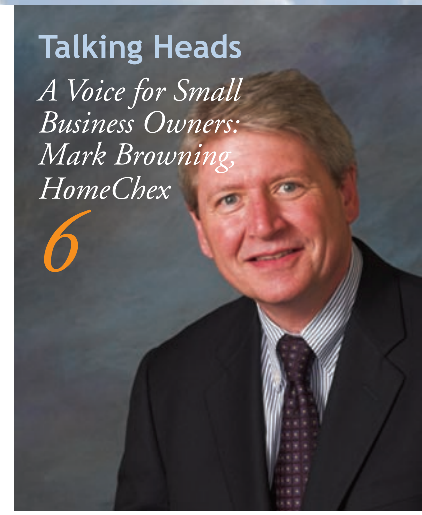


## Columns



## Monthly Features







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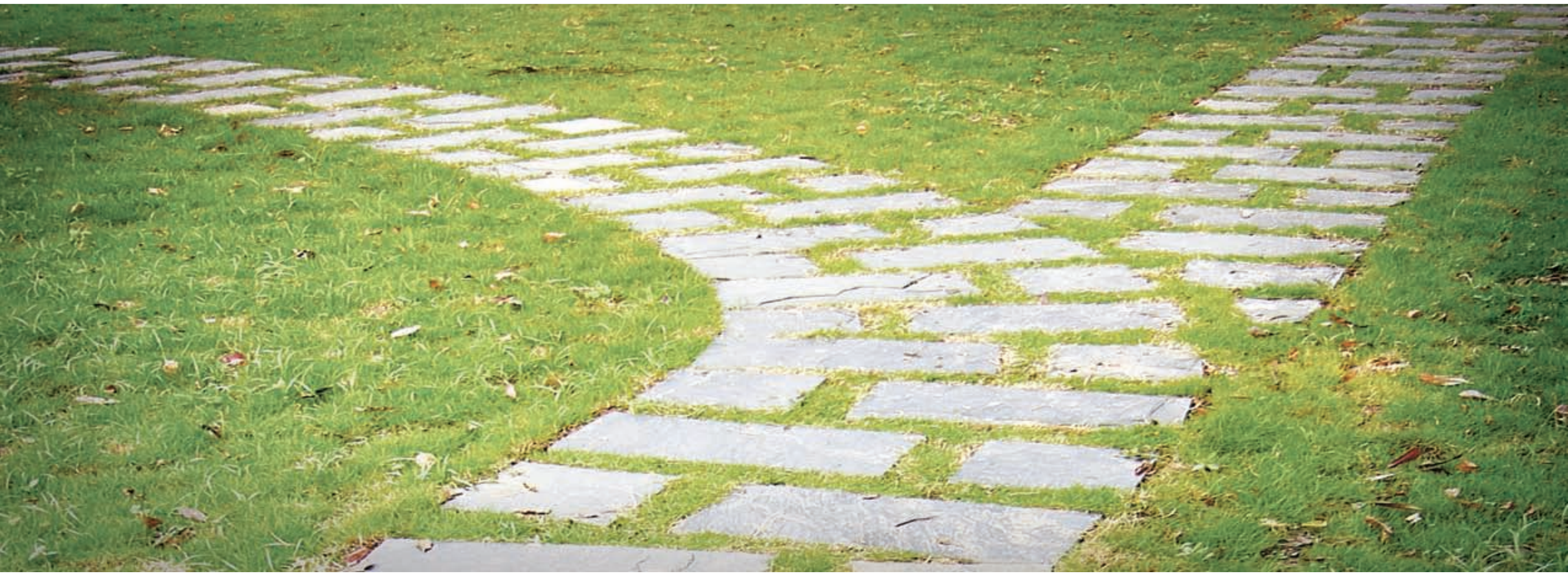
**RESPECT FOR EACH INDIVIDUAL** | **RESPONSIBLE CITIZENSHIP**



At our core, each of us finds what truly matters. At Urban Financial Group, our path to success boils down to six unwavering principles: Client Focus, Integrity, Teamwork, Respect for Each Individual, Innovation and Responsible Citizenship. These values are woven into the DNA of our entire staff and embedded in our culture. These six principles guide our behavior and set the bar higher for each of us every day.

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# Debunking the Myths

**FOR A PRODUCT WITH SUCH A RELATIVELY SHORT** history, reverse mortgages sure seem to have a lot of mythology attached to them. These common misperceptions show up in one press story and then seem to spread virally via other reporters who depend on past stories rather than new research. But a combination of good practices by industry professionals and outside research—supported by an ongoing aggressive public relations effort—seems to be debunking the myths one by one.

The myth that the reverse mortgage is a *loan of last resort* has been debunked by three academic research reports that have appeared over the past six months, each arguing that instead it is a valuable financial planning tool. We are honored that the co-author of one of those reports, Barry Sacks, will be presenting his study at our conference this month in Irvine.

In this issue, we feature two stories debunking two other all too pervasive myths.

One is that *overly aggressive, predatory reverse mortgage originators force their product down the throats of uninformed seniors*. That was a claim of a woman named Sandy Jolley, purveyor of a website called Elder Financial Terrorism, who along with her sister Julianne Keegan filed suit against Pacific Reverse Mortgage, reverse mortgage consultant Les Barnhart and Financial Freedom over a reverse mortgage taken by their parents Patricia and Richard Hickerson on their home in Thousand Oaks. That complaint, first filed in 2008, was finally heard by a jury in Ventura County, California last September and the jury ruled that all the defendants involved acted in good faith, lawfully and appropriately and dismissed all of the charges.

The defendants were represented by attorney T. Steven Gregor of the Rancho Santa Fe, California firm of Dorazio & Gregor. Our cover story this month, *A Landmark Victory for the Reverse Mortgage Lending Industry* is Mr. Gregor's personal account of the case. He felt compelled to write about the case because "I really think justice was served. Les Barnhart is a salt of the earth individual and was anything but a predatory lender. It's important to let everyone know what the facts and evidence are."

The other myth we tackle this month is that *reverse mortgages are expensive.* But compared to what? Two months back, we ran Jeffrey Birdsell's effort to disprove this by comparing the costs of fixed rate HECMs with forward mortgages. This month, Jeff nobly continues his quest with a comparison of ARMs vs. HELOCs.

A highlight of NRMLA's Eastern Regional conference in New York in March was a panel devoted to *Successful Techniques for Selling the Saver and HECM for Purchase*, a session we will be recreating at our Western Regional Conference. In this month's *Innovations* column, Shannon Hicks looks at developing constructive relationships with builders as the key to improving your HECM for Purchase business. And in his *Balanced Viewpoint* column, president and CEO Peter Bell looks at how off balance Mitt Romney's threat to eliminate HUD appears.

Hope to see many of you in Irvine May 16 and 17. And may the debunking continue. RM

Marty Bell, *Editor*



By Peter Bell, President of NRMLA

# Change I Can't Believe In

**ANTICIPATE CHANGE. ACCEPT CHANGE. EMBRACE CHANGE.**

This is an attitude bestowed upon me by one of the bosses I worked for early in my career. It was a valuable and liberating lesson that prepared me to approach matters with an open mind. Acknowledging that the dynamics surrounding anything we are working on could change at any time has been helpful throughout my professional life.

In the world of technology, change comes rapidly as engineering breakthroughs occur and process improvements allow new ideas to be deployed instantaneously.

In social sciences, change comes incrementally and slowly, but continually, as evidence is collected, digested and evaluated, and attitudes adapt.

In the political world, change can come from anywhere, at anytime, due to any number of unforeseen forces and is often impossible to forecast.

As one who accepts and embraces change, one who thrives on change, these times should be very exciting. But I find them not to be. Instead, they are downright scary.

An item that has me particularly irked is a thought tossed out fairly casually as an example of change that might occur, from likely Republican presidential candidate Mitt Romney -- this idea of eliminating HUD.

I find it a bit ironic that Mr. Romney would have such little respect for the department that served as his father's one stint in the federal government. There's something going on there that's beyond my field of expertise.

But what would it mean if HUD were eliminated? Our business, reverse mortgages, is one of a series of small programs that together make up only 5 per cent of HUD's budget, which at $49.7 billion is one of the two smallest budgets among the cabinet departments. (The smallest being Education, another department often threatened with dissolution.) Right off the bat, the elimination of HUD would be a threat to 10,000 department employees and to almost 5 million Americans now receiving rental assistance. We already have 700,000 homeless families in the country—and without a home it is difficult to function within society. Homelessness only leads to more, larger problems. As Lisa Alberghini, president of the Planning Office for Urban Affairs in Boston says, "I always viewed housing as the organizing point. Good comfortable, affordable housing affects the ability to get a job, which lets you have a family, which lets you get them an education, and so on."

*Peter Bell*

In our own industry, what would elimination of HUD mean for the 600,000 plus families who reverse mortgages are now insured by the government? Or for the billions of dollars investors have put into securities based on a guarantee from Ginnie Mae? And this is just the tip of the iceberg.

Perhaps the states could do a better job than the federal government at addressing housing needs, Romney wonders. Does he mean we should have fifty different state HUDs? Different SHAs (state housing administrations in lieu of one FHA) with programs offered by each state with differing terms and underwriting standards? How would this be more effective?

Sure you might eliminate one federal bureaucracy, but would the fifty state replacement actually reduce government and costs overall? Probably not if every state took up

***Balanced Viewpoint*** *continued on page 8*

Talking Heads

# A Voice For Small Business Owners

*Mark Browning, HomeChex* By Darryl Hicks

**THE MEMBERSHIP OF THE NATIONAL REVERSE** Mortgage Lenders Association is comprised of a very diverse group of businesses; National banks. Community banks. Credit unions. Mortgage lenders. Mortgage brokers.

While they are all united in their devotion to reverse mortgages, each of these business models is regulated in slightly different ways, which means the people who work in these environments tend to have differing opinions about how to run their businesses and how new regulations will impact them.

*I think small businesses are better positioned to manage these roles than more homogenous distribution channels.*

Mortgage brokers, and other small business owners, represent a substantial percentage of NRMLA's members. One such person who has been in the business longer than most is Mark Browning.

Mark, who lives in Rochester, NY, formed a company back in 1998 called Community Home Equity Conversion Corp., which he later shortened to HomeChex. He originated his first reverse mortgage in October 1998 and has been a supportive member of NRMLA since 1999.

Since 2004, Mark has served on the Board of Directors, including stints as Treasurer and Vice Chairman. He remains active on the State & Local Issues Committee, Compliance Committee, Finance Committee and HUD Issues Committee.

*Mark Browning*

Mark is one of the voices of small business owners on the Board of Directors that artfully articulate their viewpoint at each and every meeting. Last year, NRMLA took Mark's advice and sent a letter to Federal Reserve Board Chairman Ben Bernanke requesting a postponement on the implementation date of the loan officer compensation rules until further clarity could be obtained on the impact it would have on small businesses.

I recently had the chance to talk with Mark on a wide range of issues to get his thoughts on where small business owners fit into the current marketplace and what the future looks like.

***Reverse Mortgage:*** Let's get to know Mark Browning. Tell us about yourself away from your job. What things are you passionate about in addition to your work?

**Mark Browning:** I grew up in the Rochester area, which is along the shores of Lake Ontario in Western New York. We are routinely the snowiest metropolitan area in the country. The area is picturesque with glacial terrain and the Finger Lakes are close by, which are

*Talking Heads* continued on page 7

*Talking Heads continued from page 6*

some of the deepest lakes in the country. The Finger Lakes region is also said to have the highest concentration of wineries outside of Napa. So I split my time between Rochester in the winter and the Finger Lakes in the summer with my wife and 12 year old daughter. We love to do everything outdoors, whether it's snow skiing, water skiing, boating, swimming, hiking. I love the outdoors and support conservation.

As far as my background, I have a MBA in Finance. Before becoming an entrepreneur, I held a number of corporate jobs in the area of secondary marketing and structured mortgage finance and later I became a CEO of a mortgage banking business for a large U.S. and Canadian thrift. I reached a career crossroads and decided to simplify my life, start a family and it was around that time I decided to get into reverse mortgages.

***RM:*** You have been originating reverse mortgages exclusively since late 1998. What has attracted you most to this business all these years?

**MB:** Reverse mortgages present an opportunity to positively impact people's lives, which was consistent with some of the life shifts I was making at the time. The demographics are compelling with 10,000 people turning 65 on a daily basis. Reverse mortgages have community value. They serve a role for people who have modest retirement wealth. The homeownership rate was 40 percent in 1940, but has risen to 70 percent in recent years. Homeownership among seniors is higher. Housing wealth is a vital tool in the retirement planning arena, so I thought there was an opportunity.

***RM:*** As a small business owner, what do you think are the biggest challenges in 2012?

**MB:** The think the biggest challenge is the regulatory burden and the complexity it imposes. I think there's an equal burden on consumers who are buried in documents. I am hoping in 2012 that we see some more sensible approaches to regulating the industry.

***RM:*** Do you think that mortgage brokers can continue to succeed in the reverse mortgage business?

**MB:** Well, I don't really know what a mortgage broker is in the reverse mortgage business. A mortgage broker performs a role of arranging financing between a person who is interested in buying a house or refinancing with an array of lenders that offer an array of products. With reverse mortgages, there is one product. There is a role for distribution channels, but not in the sense of a traditional mortgage broker.

***RM:*** Let me rephrase the question then. Do you think small businesses can still play a role in this reverse mortgage business?

**MB:** I do. Small companies will remain a viable, critical part of this business. It's a high touch industry. It's a high service industry. It's a person-to-person business. I think small businesses are better positioned to manage these roles than more homogenous distribution channels.

***RM:*** How are you marketing reverse mortgages today versus when you first got into the business?

**MB:** The same, except that we haven't been doing much direct-to-consumer advertising. The market was saturated with direct mail and print advertising, so it wasn't a good investment. Looking forward, I think some of those mechanisms have value. A lot of tangential players have left the marketplace, so I don't think consumers are hearing about the product as much through direct mail in the markets we serve, which includes New York state and Connecticut. So we are reevaluating that approach.

Because we have been around a long time, we work quite a bit with community banks, credit unions, financial planners and estate attorneys. Our focus is more business-to-business where we provide a plank in a larger plan.

***RM:*** What other trends do you see impacting the business over the next 12-24 months?

**MB:** I have high hopes that the CFPB (Consumer Financial Protection Bureau) will make strides in

*Talking Heads continued on page 8*

*Talking Heads continued from page 7*

simplifying the consumer process. If it makes the tool (reverse mortgages) more clear for consumers, then that's useful to the consumer and beneficial to the industry. We are also seeing smaller providers recapturing a greater share of the marketplace, which I hope will continue.

***RM:*** When we were talking this time last year, I know you were a little nervous whether you would be able to continue in the business. In our more recent conversations, you have appeared more upbeat. Am I correct in that assumption?

**MB:** I am more encouraged now than I was a year ago. I think generally that the economic environment seems be improving, attitudes are improving, and things are starting to move again. That said, the number of HECM loans being made continues to decline. Part of the reason for that, and it may not be on purpose, are restrictions in place that impede the competitiveness of small businesses. One example is loan officer compensation. I fully support the idea of having loan officers indifferent to product choice, however, the rules as constructed do not allow small businesses to offer discounts to consumers, whereas large businesses can. That in my opinion amounts to price fixing.

***RM:*** What changes to the HECM program would you like to see implemented by FHA?

**MB:** First thing, I'd like to say is that HECM Saver is huge. It may not have traction just yet, but it will. It moves HECM away from being solely a transactional tool into the arena of financial planning. Several studies have been published recently that argue this point about reverse mortgages being a retirement planning tool, which is helping to convince planners to look more closely at this product. The other opportunity that I think consumers would benefit greatly from is a hybrid product. The initial draw could be at a fixed rate that provides certainty to the consumer and the remaining funds could be set up as a line of credit at an adjustable rate. A hybrid option makes the program more viable for consumers who want to pay off an existing mortgage before retirement and then have a line of credit for more occasional and sporadic use.

I think it's important that the industry continues its progress toward positioning a reverse mortgage as a plank in a retirement planning process. There is a myopic vision of the tool that confines it to a transactional, event driven, space. That is not a forward looking vision for our business. Housing wealth and reverse mortgages are vital ingredients of the middle class retirement tool kit. They are a plank of an overall plan versus the plan. The national median home price is only about $157,000. We need to keep that figure in focus as our thinking continues to evolve. RM

## Balanced Viewpoint (cont.)

*from page 5*

the activity. (Imagine trying to comply with fifty state insuring authorities.)

This type of discussion scares me. Do I think that this elimination of HUD might really happen? I don't know. Once upon a time, I would have dismissed it as empty rhetoric. But now, certain things that have been accepted as part of our society for years are being called into question. The quest for a smaller federal government ignites a lot of passion and many are jumping on this bandwagon. But do they really know what this means? Do they understand the consequences?

Proclaiming you are considering eliminating HUD might be seem like a pithy sound bite, but it's an irresponsible position. If you tell me that, you need to tell me what you are going to do to prevent more homelessness and the blight that comes with it. You have to tell me how you are going to support the seniors whose assets have decreased and need reverse mortgages to afford even their minimal expenses. You have to tell me how you are going to prevent the human degradation that will no doubt end up costing us more money than the second cheapest cabinet department.

I can't vote for a sound bite. Can you? RM

# Members On the Move

## Network Funding Continues Expansion

Two seasoned veterans in both forward and reverse mortgage production, **Rett Babb** and **Shawn Fewell**, were recruited to grow the Reverse Division by adding experienced reverse managers and originators. Recent acquisitions of highly qualified Reverse Mortgage Professionals have led to an unprecedented expansion in Reverse Mortgage teams throughout the United States. During the first quarter of 2012, Network Funding has expanded throughout Texas, New Mexico, Oklahoma, Illinois, Indiana, Michigan, Colorado and Wisconsin. Dedicated to becoming a top reverse mortgage lender in 2012, and beyond, the team has been fortunate to attract experienced regional managers, state managers and loan originators in key states today, with others being recruited to fill positions in the 39 states in which Network Funding is now licensed.

In 2004, the company began their Reverse Mortgage initiative as a broker. While annual forward production was as much as $2 billion, it was preferred to initially have affiliate branches broker the product in order to evaluate the future potential for adding as a closed loan sold product.

## LaRose Promoted to President at Celink

Celink announced that Chief Operating Officer **Ryan LaRose** has assumed the title and additional responsibilities of company President. As President/COO, Ryan will still be responsible for overseeing all of the day-to-day operations, and he will now be responsible for implementing the strategic initiatives that support Celink's long-term vision, as well as the continued development of a strong Executive Servicing Management Team.

**John LaRose** remains Chairman/CEO and retains responsibility for establishing the company's strategic long-term goals, reporting to the Board of Directors, maintaining industry leadership, developing innovative marketing and PR strategies, and assisting the new President as needed.

Ryan LaRose has over 15 years of experience in subservicing, the last 7 of which have been exclusively in the reverse mortgage industry. He currently serves as the co-chair of the National Reverse Mortgage Lender's Association (NRMLA) Servicing Committee.

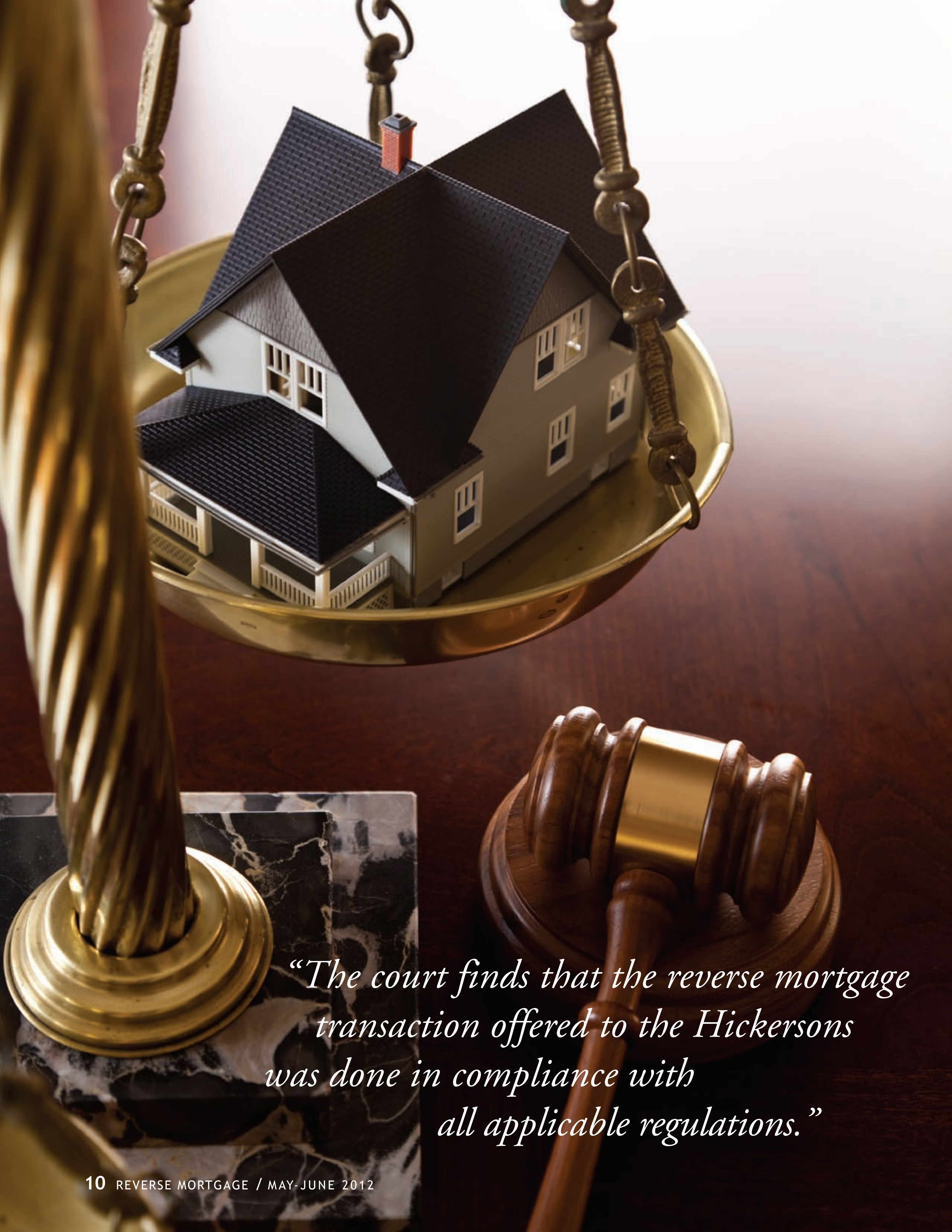
## Mortgage Cadence Develops Smart Phone Technology

Mortgage Cadence, LLC, debuted Orchestrator Mobile, which will allow loan originators to view leads, pipelines, statuses, and tasks, lock loans, and offer tools like financial calculators on all internet-enabled devices such as smart phones, iPads, iPhones, and tablets.

"We are going to be working with our reverse customers in the months to come to add specific reverse functionality outside of these features," says **Sarah Volling**, Marketing Manager. "None of them have the application in beta format yet. This is the initial phase of the rollout."

She says in today's highly tech-savvy world where communication is exchanged instantaneously, borrowers expect their needs to be met on-demand. Smart mobile devices continue to increase market share at such a rate that exceeds both producer and analysts' predictions. This is due, in part, to the fact that businesses across the country are leveraging these devices in an effort to make their people and processes more efficient all while giving their clients the very best experience.

"Our advancements in mobile technology not only take lending to a new level but allow originators to increase sales and customer satisfaction at a time when providing world-class customer service to borrowers is critical," adds Volling. RM



*"The court finds that the reverse mortgage transaction offered to the Hickersons was done in compliance with all applicable regulations."*

# A Landmark Victory for the Reverse Mortgage Lending Industry

By T. Steven Gregor, Esq.

**FINANCIAL ELDER ABUSE. THIS CLAIM WAS THE** backbone of a multi-million dollar lawsuit filed in 2008 by Sandy Jolley and Julianne Keegan, daughters of Patricia and Richard Hickerson and trustees of the Hickersons' estate, after they discovered that – several years earlier and unbeknownst to them at the time – their parents had taken out a reverse mortgage on their home. In addition to Financial Elder Abuse, the lawsuit alleged five further causes of action: Rescission, Negligence, Unfair Business Practices, Fraud, and Constructive Fraud. These claims were brought against Pacific Reverse Mortgage, Inc., dba Financial Heritage ("PRM"), the lending institution which processed the Hickersons' loan; Mr. Les Barnhart, one of PRM's reverse mortgage consultants; and Financial Freedom Senior Funding Corporation ("Financial Freedom"), to which the loan was later assigned. In effect, the Hickersons' daughters asserted that their parents were victims of a predatory lending scam and were negligently and fraudulently induced by PRM and Mr. Barnhart into signing a reverse mortgage loan agreement which they lacked the mental capacity to understand. The plaintiffs were represented in the lawsuit by Brice Bryan and Ingrid Evans. Financial Freedom was represented by Eric T. Lamhofer of Wolfe and Wyman LLP. And I represented PRM and Mr. Barnhart.

Over the course of the following three and a half years, the case was heard before the state court and the court of appeal before it was ultimately tried before a jury. From the first filing of the complaint in January of 2008 through August of 2011 when the case finally went to trial, the plaintiffs were given every opportunity by the court to marshal their evidence and present that evidence to a jury of their peers.

After making several rounds of amendments to their allegations, the plaintiffs filed their fourth and final amended complaint in August of 2011. Despite the fact that the trial court had previously granted summary judgment in favor of Mr. Barnhart, and summary adjudication on all causes of action, except for rescission, in favor of PRM – a ruling which should have applied equally to Financial Freedom, a mere assignee of the reverse mortgage loan agreement– the court permitted the case to be tried on all six causes of action. Nearly four years after they filed their initial complaint, the plaintiffs had their day in court – and took a full month to put on their case. The defense presented its case in approximately one week.

On September 29, 2011, the jury returned a 10-2 verdict for the defense, finding that all parties – including Mr. Barnhart – had acted in good faith and that there was nothing unlawful, unfair, misleading, or fraudulent about the Hickersons' reverse mortgage transaction. The jury further found that none of the defendants intended to defraud the Hickersons, attempted to conceal any facts about the loan to the Hickersons, or made any false representations to the Hickersons about the loan. Significantly, the jury also found that, although Mrs. Hickerson had some mental deficiencies and Mr. Hickerson had a host of physical ailments at the time they took out the loan, they did not – as the plaintiffs had alleged – lack the mental capacity to un-

*Nearly four years after they filed their initial complaint, the plaintiffs had their day in court – and took a full month to put on their case.*

***Landmark** continued on page 12*

*Landmark continued from page 11*

derstand the nature of the loan agreement.

Additionally, with respect to the plaintiffs' rescission claim, the judge found that the reverse mortgage loan offered to the Hickersons was carried out in compliance with all applicable laws and regulations; that there was nothing fraudulent about any of the defendants' conduct; and further, that the sales presentation given by Mr. Barnhart, acting as an agent of PRM, was balanced and thorough. To quote directly from Judge Henry Walsh's Statement of Intended Decision:

> "The court finds that the reverse mortgage transaction offered to the Hickersons was done in compliance with all applicable regulations. The conduct of the defendants was not fraudulent [and] there were no portions of the transaction which were unfair, unlawful or fraudulent within the meaning of Business and Professions code 17200."

The evidence in this case further established that the Hickersons not only had the mental capacity to understand the nature and consequences of their reverse mortgage, but also that their decision to take out the loan was well thought-out and calculated.

Approximately three months passed between the Hickersons' initial meeting with Mr. Barnhart and the date they actually signed the final loan documents. During this time, Mr. Barnhart met with the Hickersons on numerous occasions, both at their property and over the phone, explaining in detail what a reverse mortgage is, how it works, and the variety of loan options available to the borrower. The Hickersons also completed mandatory counseling with an independent, government approved third-party reverse mortgage counselor as required by HUD. Further, Mr. Barnhart – believing it important to understand the unique needs of each borrower – went the extra mile to understand why the Hickersons were interested in this type of loan.

Patricia and Richard Hickerson were in a position that an increasing number of aging Americans now find them-

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*Landmark continued from page 12*

selves in: They worked hard throughout their earning years to purchase their home in Thousand Oaks, California, where they lived for nearly 30 years and raised 4 children. When after retiring they were met with unanticipated economic challenges, including being denied long term care insurance, they concluded that their home was their biggest financial asset and that they could use this asset as a means to care for themselves in the future. Mr. Hickerson – having been diagnosed with cancer and knowing that he may not survive his wife – also sought the loan as a way to ensure that, in the event that something were to happen to him, the burden of making a monthly mortgage payment would not fall upon Mrs. Hickerson. The Hickersons' reverse mortgage loan accomplished precisely what they had intended: it paid off the existing mortgage on their home, relieved them of the obligation to make any further mortgage payments, and gave them a substantial tax-free sum of cash to use or not use as they saw fit. It was – after all – their home, their equity, and their right to decide what to do with it.

The outcome in this case represents an important victory for reverse mortgage lending institutions and the insurance companies that insure them; indeed, a judgment in favor of the plaintiffs could have set a dangerous precedent that may have spawned a multitude of similar claims in the future. Fortunately, however, the facts and evidence on record in this case proved that there was no elder abuse perpetrated by Les Barnhart, Pacific Reverse Mortgage, Inc., dba Financial Heritage, or Financial Freedom Senior Funding Corporation, thereby dispelling any notion that the Hickersons were swindled out of their hard earned money by some faceless financial intuition. Moreover, this case provides a good example of some of the benefits that reverse mortgages can provide to seniors like the Hickersons and demonstrates how being uninformed about reverse mortgages can lead to the misperception that reverse mortgages take unfair advantage of seniors.

As an attorney with sixteen years' experience litigating complex legal matters, including insurance and lending disputes, and as defense counsel who represented PRM and Mr. Barnhart throughout the three and a half years this case was pending, it is clear that the jury and the court reached the right decisions. All three defendants – although needlessly put through the time, expense, and hardship of defending these claims – were vindicated in the end. RM

*T. Steven Gregor, a founding member of Dorazio & Gregor LLP, is primarily engaged in litigating complex business, insurance, lending, corporate, and real estate matters. For more information regarding the law firm of Dorazio & Gregor, please visit www.doraziogregor.com. Mr. Gregor can be reached directly at sgregor@doraziogregor.com or at (858) 759-3800.*

*Please note: The information provided within this article is presented for general educational purposes only. It does not constitute, nor should it be construed as, specific legal advice.*


# Cost Comparison

## *HECM ARMs vs. HELOCS*

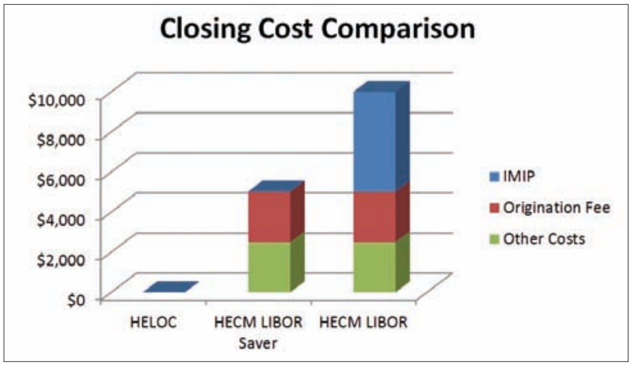
By Jeffrey M. Birdsell

**IN MY LAST ARTICLE WE LOOKED AT COST COMPAR-**isons among the HECM Fixed, the HECM Fixed Saver and a FHA Traditional Mortgage. We concluded that HECM products are very similarly matched with Traditional Mortgages when it comes to costs and benefits, but that Reverse Mortgages have a greater potential upside.

In this article we are going to look at comparisons including costs, rates and performance between the HECM LIBOR adjustable loans with their line of credit and a Home Equity Line of Credit (HELOC).

### Upfront fees

The typical closing costs for both types of loans, such as appraisal fee, credit report, etc., are generally the same. Some HELOC's will waive these costs, which is what we have shown below, but they may also charge a portion of these fees back to the borrower if they pay off the loan within the first few years. The real differences in costs are in the insurance fees and origination fees. In the following graph you will note that the HELOC has the lowest upfront costs, followed by the HECM LIBOR Saver and the HECM LIBOR.




### Interest rates

Looking at interest rates for the HECM LIBOR products and the HELOC, the HECM LIBORs are lower. Currently HELOC's have floating rates at around 250 basis points (2.5%) over the Prime Rate. With the Prime Rate at 3.25%, the HELOC rate would be 5.75%. The HECM LIBOR and HECM LIBOR Saver have 250 and 300 basis point margins respectively, but their index is the One Month LIBOR as posted in the Wall Street Journal. With the current One Month LIBOR index at around 0.25%, the initial rates on the HECM LIBOR products are 2.75%

*Comparison continued on page 15*

*Comparison* continued from page 14

and 3.25%. Even adding the required recurring Mortgage Insurance Premium rate of 1.25%, the HECM LIBOR rates are still less than the HELOC today.

| | HELOC | HECM LIBOR Saver | HECM LIBOR |
|---|---|---|---|
| Initial MIP | 0.000% | 0.010% | 2.000% |
| Annual MIP | 0.000% | 1.250% | 1.250% |
| Interest Rate | 5.750% | 3.250% | 2.750% |
| Origination Fee | 0.000% | $ 2,500.00 | $ 2,500.00 |

## Performance Over Time

The cost and rate comparisons look at today, so now let's do a comparative analysis that looks into the future: We will assume an initial home value of $250,000 and a borrower that is 72 years old. Home Price Appreciation (HPA) will have little to no effect on a HELOC but again can play a key role in the overall cost of a Reverse Mortgage. Although HPA can vary a lot from one market to the next, or even one neighborhood to the next, this analysis uses an average HPA of 1.5%.

To show the differences between HECM LIBOR vs. the HELOC over time, we will look at two scenarios: In the first scenario, we will look at the loans as a source of additional cash by taking monthly draws from both loans. In the second scenario, we will look at taking an initial full draw, then making payments on the loans to free up available credit for future borrowing. The HECM LIBOR Saver performs similar to the HECM LIBOR in these comparisons so we will limit them to the HECM LIBOR vs. the HELOC.

## First scenario

This scenario represents the comparison between these two products for a borrower looking for additional monthly income. This first graph shows the Total Annual Loan Cost or APR rates for the monthly draw scenario. For comparative purposes, we will use the calculated Tenure monthly payment amount of $1,109 from the HECM LIBOR loan for draws from both products.

*Comparison* continued on page 18


Your direct path to growth in the
Reverse Mortgage ma
RMPath™
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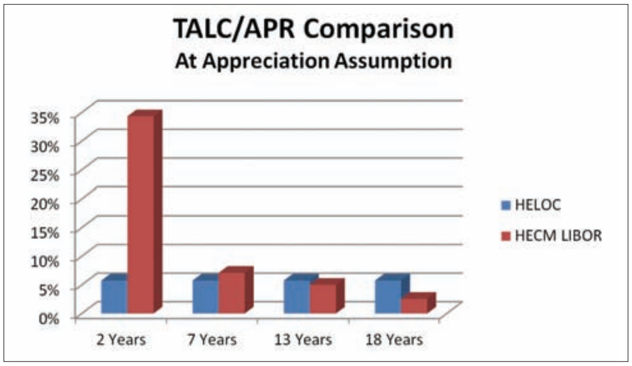
*Comaprison continued from page 15*

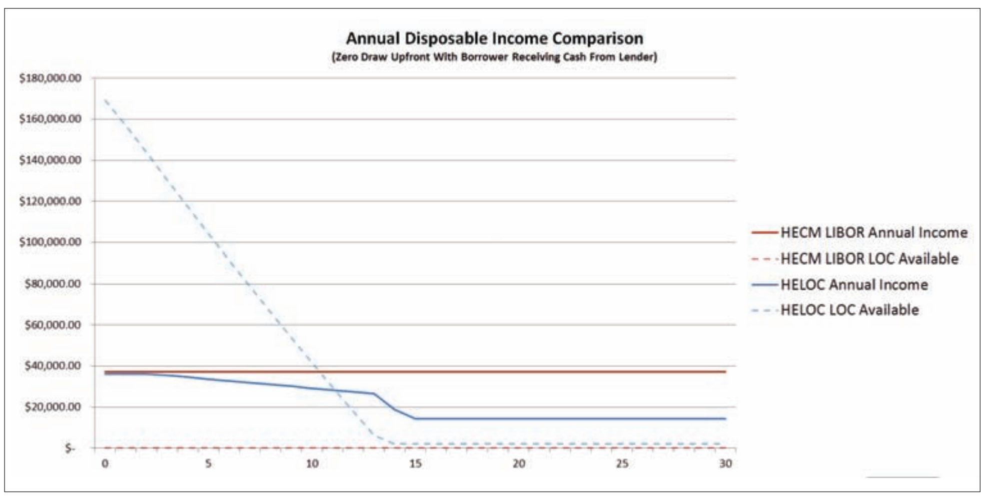



The TALC rate for the HELOC remains constant at 5.75% while the HECM LIBOR TALC rate displays extremely high in year 2, then drops dramatically by year 7 and tapers down to less than half the calculated HELOC TALC rate beyond 18 years. The reason for the higher TALC rate on the HECM LIBOR in the early years of the Reverse Mortgage has to do with the upfront fees paid ($10,000) vs. the amount of money, or benefit taken, by the borrower during those same 2 years ($26,600). As you spread the upfront fees out over time, their impact on the TALC rate becomes less and less. What this is really telling you is that if you only need a little extra cash for a few years and you can qualify for a HELOC, that would be a better option. On the other hand, if you are looking for a stable cash flow over time, the HECM LIBOR is the better option.

## Disposable income

Let's take a look at the disposable income comparison in this scenario. We will assume that the borrower has existing income of $24,000 a year ($2,000 per month) to live on before taking out their mortgage. When you choose a monthly Tenure option from the HECM LIBOR you will get a fixed monthly payment from the lender instead of a line of credit amount. With the HELOC you will start out with the full amount available in the line of credit and then draw from that on a monthly basis. As your loan balance grows with a HELOC, you will have to make monthly principal and Interest payments to the lender on what you have borrowed, so your net disposable income will be less than the HECM LIBOR.

This example shows that with the HECM LIBOR, the borrower will have a constant $37,300 ($3,109 per month) annual amount to live on during the life of the loan. With the HELOC, at the start of the loan the borrower has the full line of credit of around $170,000 available when they start drawing the $1,109 out each month. In year 10 they still draw the same $1,109 per month but the borrower also has to make their monthly payment back to the lender so the net monthly income is lower than with the HECM LIBOR. After year 15, the line of credit is exhausted, but the borrower must continue to make payments on the loan. In this example the borrower then nets only about $14,400 a year ($1,200 per month) with which to live on after making the required payments on the HELOC loan.



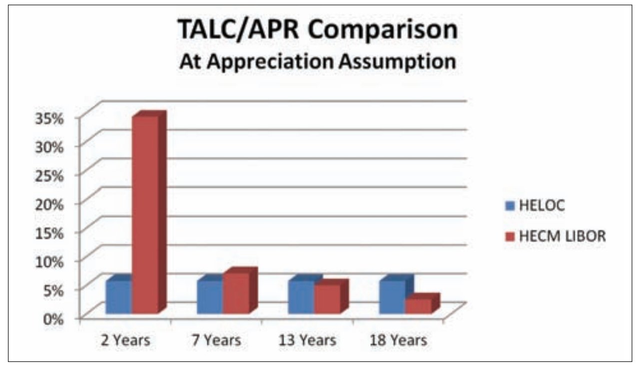

## Second Scenario

In the second scenario we have a borrower that needs to draw all the funds up front for whatever purpose. With the HELOC, they will have to make monthly payments to the lender in the amount of $988 in order to pay of the loan in 30 years. With a Reverse Mortgage loan, the borrower can draw all the funds up front, but is not required to make any monthly payments. But for comparison purposes, let's assume the borrower chooses to pay back the same $988 per month no matter which loan they take. The TALC rates for the HELOC in this scenario are the same

*Comparison continued on page 19*

*Comparison continued from page 18*

as the last scenario, but the HECM LIBOR rates are much flatter. With the HECM LIBOR, borrowing all the funds upfront greatly reduces the 2 year calculated TALC rate and gives you a better calculated TALC rate than the HELOC prior to year 7.

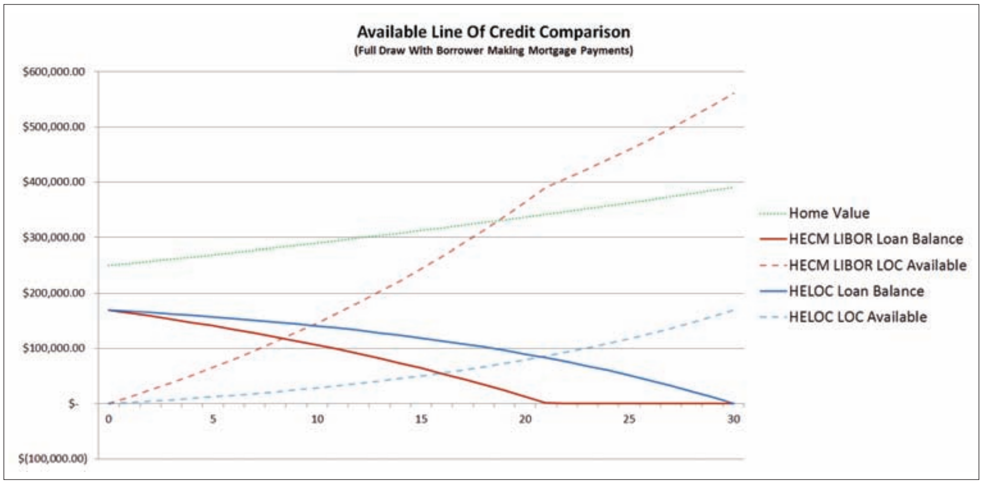



This next chart shows you the power of the HECM LIBOR credit line. With the HELOC, as you pay back the loan with the monthly payments, the principal amount of each those payments will become available for you to draw again. This allows your available credit line (represented by the dotted blue line) to grow back up to the original amount available of $169,250 after 30 years of payments. With the HECM LIBOR, not only does the principal amount of each monthly payment become available in your credit line, each month the amount available in your credit line grows, or increases, at roughly the same rate you are paying on the note.

With this compounding growth effect on the HECM LIBOR credit line (represented by the dotted red line), this example shows that you would have the same $169,250 available after a little more than 11 years of making the identical payment that you would have made if you had taken out a HELOC. And depending on your actual home value appreciation, you could actually have more credit line available than your home is worth. You will also note that, in this scenario, the HECM LIBOR loan is paid down in about 21 years. Most Reverse Mortgage borrowers would take advantage of the benefits of their HECM LIBOR and not make the monthly payment we demonstrated above, but we wanted to provide a comparison that shows what would happen if both loans were treated the same. And the HECM LIBOR loan clearly a better option in this case.

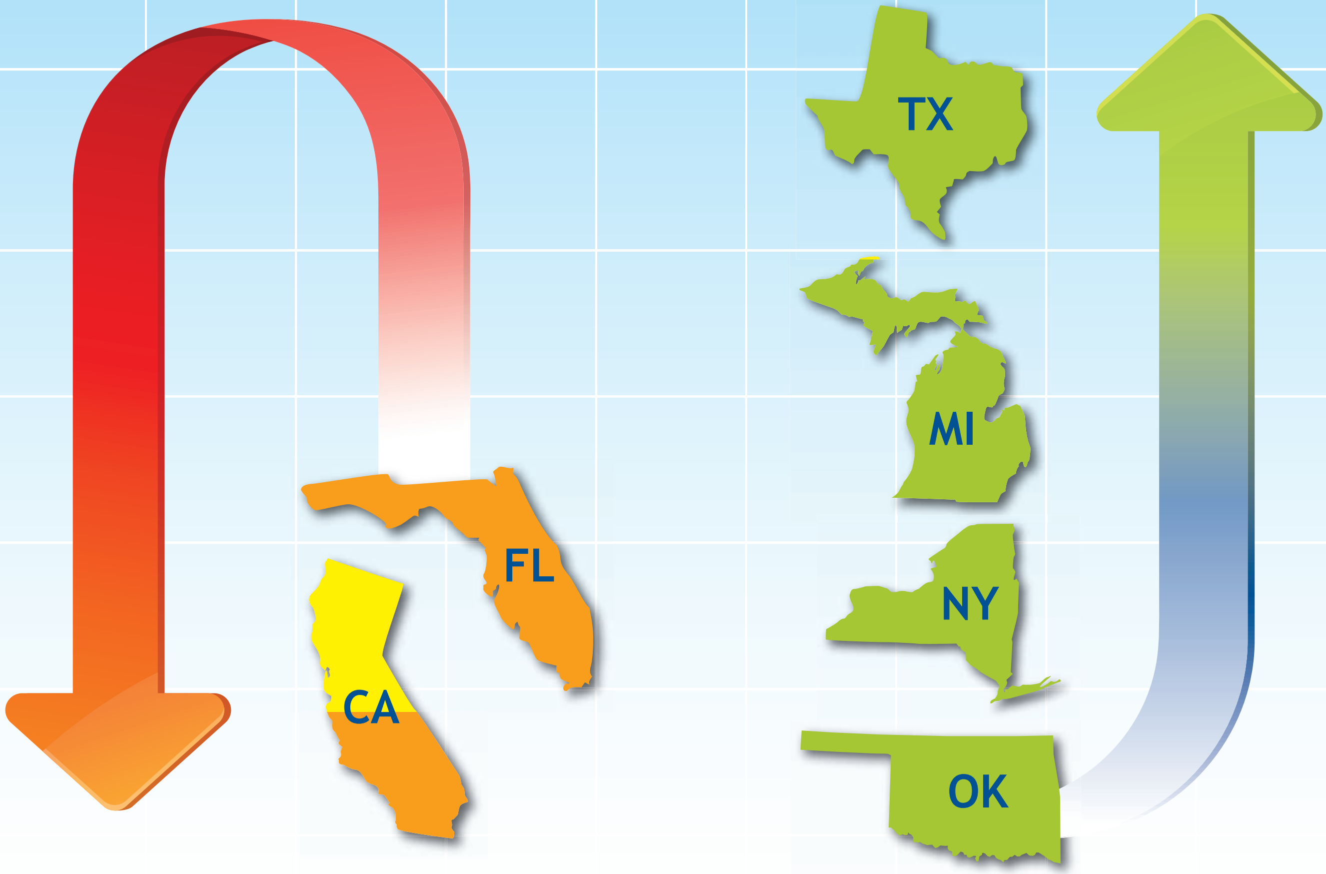
*Comparison continued on page 20*

*Comaprison continued from page 19*




Having looked at all these comparisons, one thing we all are trying to do is protect the senior and help them make the correct choice. As I noted in the beginning of my previous article, the Reverse Mortgage industry is repeatedly faced with the perception of having an expensive product. To simply state that Reverse Mortgages are expensive, costly or the last option is doing a disservice to our seniors. Reverse Mortgages are comparable to the widely accepted costs of traditional forward mortgages, yet Reverse Mortgages have safety, security and benefits not found in tradition mortgages.

So what decision does a senior make? What recommendation should an advisor make? The most important decision a senior or adviser can make is to take the time to meet with a Reverse Mortgage loan officer or counselor and understand all of the costs and benefits of Reverse Mortgages before making any decision. It is not just about closing costs and rates, but quality of life while living in their home. I have studied this product, I believe in this product and I am proud to say that my parents have applied for their Reverse Mortgage. RM




# 2012 Market Analysis

*Rough First Quarter, But Better Days Ahead*

## Members in Struggling Markets See the Bottom as Imminent

By Joe Poduska

**LET'S JUST SAY YOU HAVE ALL OF YOUR BELONG-**ings packed up in a van and you're looking to settle someplace new, hang out a shingle and originate reverse mortgages amongst your senior neighbors. Where would you head at the moment? Probably Texas or New York, where home prices have been the most stable. But members on the scene in Michigan and even in California and Florida feel a bottom is imminent and opportunity may be returning in these markets.

Though we run a state-by-state volume chart in each issue of *Reverse Mortgage Magazine*, we reached out to members around the country to measure the pulse of both the markets they live in and those they serve.

### Disappointing First Quarter

The national reverse mortgage market dipped downward during the first quarter in most regions and states, but some individual lenders have been able to increase business this year despite this. In addition, some coastal regions and states may have the potential for long-term growth as local housing markets achieve price stability in future months.

Meanwhile, the overall market is offering lenders a rough ride this year. HECM loans endorsed in March were down 19.3 percent from February. Year-to-date results show volume off 27.5 percent during the first quarter. Reverse mortgages have always been sensitive to home values, John Lunde of Reverse Market Insight (RMI) observes, but he said a major cause to the decline is the lagging effect of Wells Fargo and Bank of America's withdrawal from reverse mortgage lending last year.

Loan volume will more than likely decline for the year,

*Market Analysis continued on page 22*

*Market Analysis* continued from page 21

Lunde said, but he advised lenders that the market has the potential for long-term growth beyond 2012. "This is still a good space to be in," he said of reverse mortgage loans.

States in the country's midsection have been a source of business during lean years, with Texas overtaking Florida in second place behind California. Lunde said there are reports that home prices have hit bottom and leveled off in California and Florida, setting the stage for reverse mortgage sales volume to rebuild in coastal states. In addition, he said that New York, a large volume state, will continue with a steady demand for loans.

A national company based in Irvine, Calif., Greenlight Financial Services, confirms that home values may be strengthening a bit in California. "After doing our homework on comparable prices, we are starting to see appraised values at or a little higher than we expected," said Dave Bancroft, who manages Greenlight's reverse mortgage division. California is a diverse market and appraisals are not uniform across the board, but recent appraisals have helped firm up homeowner equity, he said. "This is a very good sign," he adds.

## Texas on the Rise

Even during a weak first quarter, Texas remained a source of business with 1,192 loans endorsed through March even though loan volume dropped substantially in major cities, according to RMI data. David Cook, manager of Network Funding's new reverse mortgage division, said Texas has benefited from stable home values. There was a fall-off in business during the first quarter but not enough to hurt lenders significantly, said Cook. Elsewhere in the Southwest, the small markets of Oklahoma City and Tulsa showed a slight increase in endorsements. In the West, Salt Lake City realized a 10.5 percent bump upward to 315 loans through March.

A veteran mortgage lender, Cook has been with parent company Network Funding LP since 1998 and in 2010 started the reverse mortgage division which brokered loans during an 18-month start-up phase. Now a retail lender, the division closed 20 HECMs in March and plans to expand. Cook hopes to double or triple production during the next five to six months. A group of former Wells Fargo loan officers has joined the division.

Among its market strengths, said Cook, is that Texas continues to be a major retirement state. There has been significant improvement in acceptance of the reverse mortgage product among financial planners, he said, crediting this to more balanced news coverage of reverse mortgages as a financial planning tool, which NRMLA has been emphasizing as part of its public affairs campaign the past two years.

In one Texas market trend, Network Funding closed five ARM line-of-credit loans in March and in general has found growing interest in ARMs. In one case the ARM, the borrowers had adequate retirement income from a pension and other resources but wanted a credit line on hand in the event of an emergency.

Michigan shows signs of recovering from the Great Recession. Home values appear to have reached bottom, according to Mike Gruley of First Financial Reverse Mortgages. "We feel comfortable and business has improved for the past six months, at least for our company," he said. Michigan is not a high-volume state and a number of lenders have exited the market, leaving market share for the few remaining lenders, said Gruley. Western Michigan has shown better demand than the eastern portion and suburbs appear to be bouncing back before major cities, he adds.

## Home Value Shell Shock May Be Behind Us

In RMI's HECM report on year-to-date endorsements through March, 16 of the 20 top volume lenders managed to grow their business during the first quarter. Among them was American Advisors Group, which almost doubled HECM endorsements over the same period last year from 333 to 651 loans. American Advisors operates a California-based call center to follow up on leads from its TV advertising campaign featuring former Sen. Fred Thompson and does business in multiple states. The company's head of sales, Paul Fiore, said American Advisor's goal is to reach 500 loans per month in its retail operation by year end. He said the company continues to get a significant volume of business from California, Texas, Florida, and New York.

Fiore said that during the last two years consumer attitudes have changed about home values. They've gotten over that shell shocked feeling after home price declines and instead are realizing that any large appreciation in value is a

*Market Analysis* continued on page 23

*Market Analysis continued from page 22*

long way off. Instead, they're asking themselves how they can put their existing home equity to work for them, Fiore said. In addition, Fiore has found that more positive press coverage of reverse mortgages has resulted in better awareness of what the product can do for financial security.

## Florida Market Still a Mixed Bag

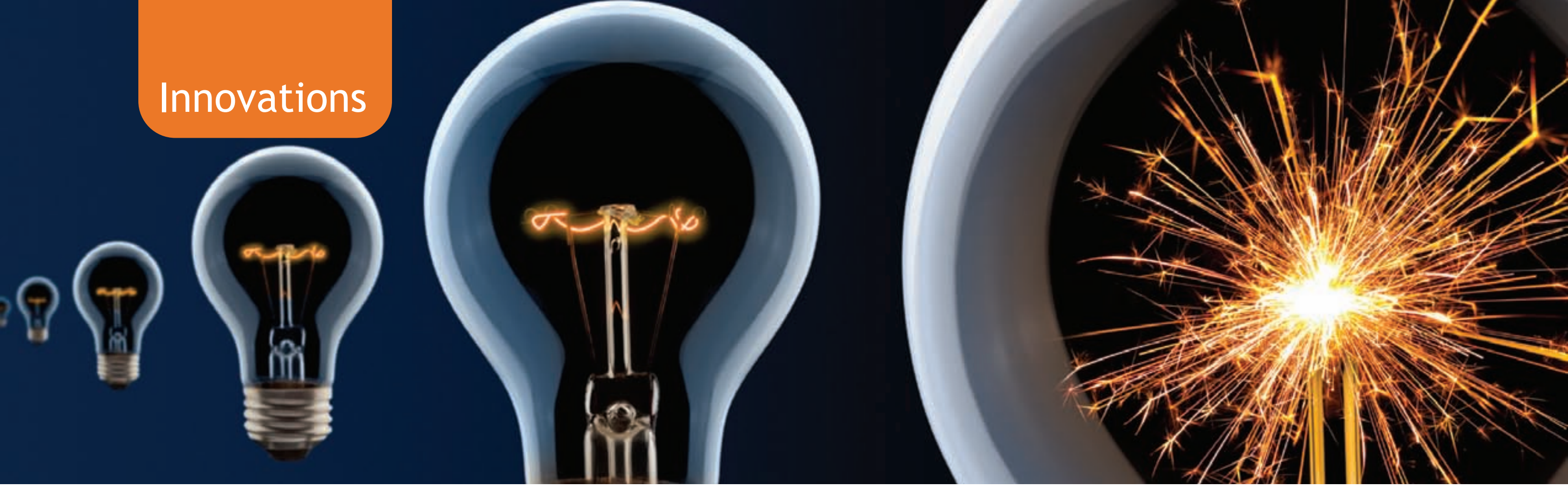
In Florida, the long-term outlook depends greatly on what happens with home prices, said RMI's John Lunde, who said there is potential for a recovery in values. Even with its real estate problems, Florida's volume has not declined as much in percentage terms as the national market overall, Lunde said.

Dave Levitt of Circle Mortgage Corp. in Fort Lauderdale said that the Florida market continues to have its difficulties. Many condos are not accessible to reverse mortgage lending because of HUD guidelines that require capital reserves to be fully funded, a requirement which requires funding of all projected future maintenance. HUD's intention is to avoid large condo assessments that borrowers can't afford but one result is a damper on reverse mortgage activity.

Also holding down market activity is the large and well-documented drop in home prices. A house that was worth $300,000 a few years ago may now be appraised at no more than $100,000. The message Levitt has for borrowers concerned about their home's value: "No one is buying your property. You borrow the money and whatever equity that remains is yours. You get to keep that."

Because the traditional forward mortgage market is suffering, there are a lot of new competitors in the Florida market who don't understand the reverse mortgage product but are offering it just to keep open for business, said Levitt. That has adversely affected lenders who have been around a while and understand the business, he adds.

"Our market is going to get better," said Levitt. "Florida is going to recover over time. Florida is a wonderful place to live and people are going to continue to move here when they retire," he adds. Circle Mortgage has been closing more reverse mortgage loans involving home purchase transactions and continues to get calls about them. "Our purchase program is a very viable, healthy program as baby boomers retire and move to Florida, looking to purchase or just to downsize," he said. RM



# Builders Are Your New Best Friends

By Shannon Hicks

**WITH OUR INDUSTRY SEEKING TO REGAIN THE** ground lost in the wake of the real estate bubble, any new opportunity for growth needs to be seized upon. The innovative and timely HECM Saver while not reaching forecasted volumes has immeasurably helped the reverse mortgage gain legitimacy in the eyes of financial professionals and non-needs-based borrowers. Another opportunity that predates the Saver is the HECM for Purchase. Borrowers no longer have to pay for two sets of closing costs to secure a reverse mortgage on their new home. An attractive proposition indeed. As evidenced at the NRMLA conference in New York in April, several lenders have focused on a strategic effort to educate and motivate real estate professionals on the mutual benefit of the HECM for Purchase for their clients and their bottom line. Much like the Saver, the HECM for Purchase has the potential to increase industry loan volume and more importantly open doors in the real estate community.

## New Relationships Require A New Approach

Ingrained behavior. That's the challenge for originators when approaching realtors and builders with the HECM for Purchase. The same approach used for borrowers will not be effective with these business people or, even worse, could be counterproductive. Realtors want closed transactions and fewer disqualified buyers due to credit or underwriting issues. Builders are looking to sell more homes through their trusted real estate agent. The key to a new approach is focusing on solving the issues presented by potential buyers while increasing the builder's bottom line. It's a variation of the 'needs-based' approach for our traditional borrower but focused on the needs of the real estate agent and builder.

*Builders are looking to sell more homes through their trusted real estate agent. The key to a new approach is focusing on solving the issues presented by potential buyers while increasing the builder's bottom line.*

Michael Banner, National Education Director for Security One Lending and founder of The American CE Institute which educates realtors and financial advisors nationally, put it this way; "The mindset of a realtor is very close to that of a loan officer. They want to help people but they are also commissioned salespeople. Show them how to have more closings and you have a referral source for life." The end result might be mutual benefit, but in approaching realtors and builders, their benefit is paramount. "Do you want to have four to six more closings per year?" is a great icebreaker that is certain to capture their attention. After all, realtors have suffered the same reduction in business for the last three years that we have. Both lenders and realtors alike are looking for opportunity and growth.

***Innovations*** *continued on page 25*

*Innovations* continued from page 24

### The Financial Angle:

Another ally in promoting the HECM for Purchase can be financial advisors. Are they selling homes? Obviously not. But they are managing investible assets for their clients. Senior clients who are planning to move and purchase a new home may be planning to pay in 'cash' using the proceeds from the sale of the previous residence. But what if you showed the advisor how their clients could pay a substantial down payment and leave another 100 to 200 thousand in investible assets on the table? This is where you can become a strategic solution. The majority of licensed financial advisors are paid for the amount of investments under management. Now you have not only increased the odds of their client's retirement funds lasting but, better yet, you have also increased the advisors monthly income. Now you have their attention.

A word of caution, reverse professionals must be careful not to pitch the commissions but rather the ability to leave more investible assets available versus tying them up in the bricks and mortar of the new home. Lenders should look for local chapters of financial planners like the Financial Planner's Association (FPA) and others where their membership and participation will help cement referral relationships.

Advisors are well connected and can open doors to the select realtors or real estate agents they actively refer their clients to. Most work with high-producing real estate professionals knowing they have closed transactions efficiently and professionally for their valued clients and investors.

### A New Client & Mindset

Unlike traditional reverse mortgages, the true client in purchase transactions is the realtor; the realtor looking to sell the home. The need to take great care of the referred homebuyer remains, but it is the realtor who is our primary client. Reverse professionals who successfully close purchase transactions will gain a lifetime of referrals from their partnering real estate agent but at a cost. "This is harder work than the traditional mortgage model. Realtors sell homes on evenings and weekends. The question is will reverse mortgage loan officers be willing to answer their phones and emails or be available outside of typical business hours?" says Banner. For those who are willing, the reward is building a lifelong stream of qualified referrals. The traditional reverse mortgage is typically a 'stand-alone' transaction with limited referrals, whereas the HECM for Purchase places the loan officer into a multiple transaction environment which is a more lucrative sales model.

Beyond referrals, the reverse purchase presents other tangible benefits often overlooked from their traditional counterpart, including higher home values (maximum claim amounts) and fewer appraisal issues. Realtors listing homes for sale typically set the price from comparable sales created before the listing. Contrast this with the traditional HECM where the values are based on the homeowner's subjective opinion. The result is fewer unpleasant phone calls or loans disqualified by unrealistic or disappointing appraisal valuations.

### Streching & Reaching

Attracting a new breed of customers requires a new approach and more importantly relationships. In building those relationships we must keep it simple. "You want the realtor or advisor to have enough knowledge to refer to you, but don't try to make them a reverse mortgage expert," says Banner. A great place to prospect for referral partners is online. Those builders with CAPS (Certified Aging in Place Specialists) or realtors with SRES (Senior's Real Estate Specialist) designations work with the senior market and can be a great place to begin. "Using Your Home to Stay at Home" is more than a slogan. It's our mission and calling. The HECM for Purchase opens doors for reverse professionals, realtors and financial advisors while giving the senior a quality of life in a new home with no debt service. Now that's a message worth spreading. RM


# Needed:

## *A Whole-Person Assessment*

By Atare Agbamu

**CHRONIC AND RISING TAX AND INSURANCE DEFAULTS** have finally forced HUD and the reverse mortgage industry to seriously consider some form of financial assessment of reverse-mortgage borrowers.

While the emphasis on sustainable borrowing is a welcome development in reverse mortgages in the U S, what lenders need are integrated, whole-person loan evaluation tools, built with the input of professionals who have a deeper understanding of aging and seniors. Why?

With seniors, the proverbial devil is often in the "soft" non-financial details of their lives. Life-stage or situational demons can skew the best "financial" appraisal, gobble up seniors' cash, and hit lenders and investors hard in the pocketbook as otherwise "solid" loans default and become non-assignable.

Albert Einstein must have known something about financial assessment, particularly the limitations of overly numerical measurements, for the great physicist gave us some cautionary words:

"Not all that can be counted counts; and not all that counts can be counted."

Financial data such as residual income, earnings from all sources, spending estimates, reverse capacity (net home equity), tax and insurance payment history are relevant and have been added to some proposed models of industry financial assessment. These variables, however, miss critical areas of seniors' lives, bearing on their ability to live at home over time and benefit from the loan.

Health is one such area. Knowing the state of a senior's health can help a lender make a better loan. Conversely, ignorance of health status could be costly for lender, investor, and borrower, as inability to live independently can rob borrower of the loan's benefits and saddle lenders and investors with non-assignable loans.

Mental health affecting executive cognition is an area of concern. For example, a HECM lender's failure to spot a co-borrower's mental health problems caused a New York Supreme Court judge to ***void*** a reverse mortgage in 2009 *(Matter of Doar)*.

Protesting that lenders are not psychiatrists is not a persuasive defense, and the judge said as much:

*"… the burden of knowledge …* ***must be shifted to the mortgagee [lender] when dealing with a reverse mortgage.*** *… it is sufficient if* ***the mortgagee knew or could have known by the reasonable fulfillment of its statutory obligations****. To rule otherwise would render the protections meaningless."*

Translation: the lender has a *lawful duty* to know about a borrower's health. So if you think health is irrelevant to borrower assessment for reverse mortgages, read the judge's words again; better still, read the ruling.

Non-mental health of borrowers has financial implications as Joy Gordon, a seasoned HECM counselor with Jewish Family and Children's Services of Minneapolis, knows too well:

"The client's health is a critical factor," Gordon said. "If the client has health issues, that person could use the proceeds of the loan to bring in health care or pay for medications. On the other hand, if the person is in failing health and would need to be moved to a care facility, selling the home might be a better choice than incurring new debt

***Reverse Matters*** *continued on page 27*

*Reverse Matters continued from page 26*

against the home," she said.

Besides borrowers' health, other vital "non-financial" elements of a whole-person assessment includes borrowers' short and long range goals, loan-funds usage, home safety, supportive social contacts, marital changes, choice of loan-payout plan, history of hospital or nursing home stays, strength of safety net, eligibility for private or public benefits, living alone, availability of help, and others.

After almost a quarter-century origination experience, we are beginning to understand the elements of consumer risks in reverse mortgages, thanks to the pioneering work of HECM counselors at the National Council on Aging (NCOA) and their affiliates across the country.

So what is a lender to do? How can lenders do a whole-person assessment without hiring gerontologists and social workers? Adopt FIT and BCU.

FIT or financial interview tool is a needs-assessment guide which grew organically out of HECM counselors' work at NCOA. *It is a given that the more needs seniors bring to reverse-mortgage loans, the greater the default risk.* BCU or BenefitsCheckUp, another NCOA innovation, is a national online resource that locates benefits seniors may be eligible for. For many seniors, these benefits may support their ability to use reverse mortgages successfully. *They are default-risk mitigation tools.*

Wisely, HUD mandated FIT and BCU for all HECM counseling in 2010. Lenders should add the FIT mindset to the training and orientation of loan officers, processors, underwriters, servicing, and compliance staff. That is the way to better reverse-mortgage loans and long-term profit. RM

# Who's Who in Reverse Mortgages

*Profiles of NRMLA Member Companies*

## American Consumer Credit Counseling

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

*Housing Counseling Department: 1-866-318-7583*
*E-mail: HousingGroup@consumercredit.com*

## Bay Docs, Inc.

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

Discover what nearly 18 years of industry experience can do for you!

*Call (888) 297-3627 for a free demo of our software … or check us out at www.baydocs.net*
*Contact: Megen Lawler (415) 209-9424 or email mlawler@baydocs.net*

## Cambridge Credit Counseling Corp.

Cambridge Credit Counseling is a 501(c)(3) non-profit housing and credit counseling agency, providing financial education and a variety of counseling services to individuals and families across the country. Cambridge offers credit / debt counseling, foreclosure intervention counseling, reverse mortgage counseling, first-time homebuyer education, post-purchase, and rental assistance counseling. The agency's counselors are nationally trained and certified and have an average tenure of nearly a decade, making them one of the most experienced, full-service financial counseling agencies in the country. Cambridge's housing counseling services are approved by the U.S. Department of Housing and Urban Development, and their reverse mortgage counseling services are approved by the Massachusetts Executive Office of Elder Affairs. Cambridge is a member of the Better Business Bureau and currently maintains an A+ rating. The agency has been an ISO 9000 certified agency since 2001. Since their inception in 1996, Cambridge has provided financial counseling to well over 1 million consumers across the country.

*www.cambridgecredit.org | www.keepyourhome.us*
*Housing Counseling:*
*Phone: 1-800-757-1788*
*E-mail: housing@cambridgecredit.org*

## Celink

**Celink's Reverse Mortgage Servicing Mission is threefold.**

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

*Who's Who continued on page 29*

*Who's Who continued from page 28*

**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 borrowers are safe with Celink. Visit celink.com for a full Corporate Overview.

*John LaRose, CEO: john@celink.com (517) 321-9002*
*Ryan LaRose, COO: ryan@celink.com (517) 321-5491*

## Clearpoint Credit Counseling

ClearPoint Credit Counseling Solutions is one of the nation's largest 501(c)(3) nonprofit credit counseling organizations, and has the third largest capacity for reverse mortgage counseling. We provide counseling nationwide, and offer face-to-face appointments in 17 markets. As a national HUD approved intermediary, we follow all of the newest HUD requirements.

*Phone: 866-786-9268*
*www.ClearPointCCS.org/ ReverseMortgage*
*Director of Housing:*
*Martha.Viramontes@ClearPointCCS.org*

## Genworth

Genworth Financial Home Equity Access, Inc. (GFHEA) is one of the largest reverse mortgage lenders and is a subsidiary of Genworth Financial, Inc. For more than 137 years, the Genworth Financial companies have helped seniors achieve financial security with innovative products and retirement income strategies.

We are customer-focused and dedicated to helping seniors meet their financial goals in retirement. When you work with us, you get superior customer service with the flexibility and expertise that only an exclusive reverse mortgage partner can deliver.

GFHEA is a proud member of the National Reverse Mortgage Lenders Association (NRMLA) and committed to the advancement of reverse mortgages.

*www.genworthreversemortgage.com*
*For career opportunities call 916.384.1853*
*For wholesale opportunities call 866.871.1353*

## James B. Nutter & Company

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

*www.jamesbnutter.com*
*Retail Division:*
*Chris Peters (800) 342-7334*
*Wholesale Division: Paul Madson (800) 798-3946*

## Lenders Reverse Closings

Lenders Reverse Closing Services, LLC was created in 2004 to exclusively deal with reverse mortgages. All of our closers are specifically trained on how to handle reverse mortgage closings and possess the skills necessary to work with reverse mortgage borrowers. Each closer understands the intricacies of the reverse mortgage documents. We are an affiliate of Title Alliance, LTD a company with roots dating back to 1948 providing full title insurance services. Since 2004, we have completed over 7500 transactions and insured over $1 Billion in mortgages.

Lenders Reverse utilizes an online software platform providing online ordering; password protected document repositories; 24/7 online access to files for lenders and their customers; and a real time file status. Lenders Reverse also

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offers 24/7 access to an instant online rate quoter, providing pre-HUD information, including title charges and recording fees, which are all guaranteed by Lenders Reverse assuming that the loan amount doesn't change.

*The Lenders Reverse staff can be contacted at 866-857-9100 or online at www.lendersreverse.com.*

*For more information, contact:*
*Patti DeGennaro, President, pdegennaro@lendersreverse.com*
*Lori Burnisky, Manager, lburnisky@lendersreverse.com*
*Gregg Hill, National Sales Manager, ghill@lendersreverse.com*

## Premiere Reverse Closings

Premier Reverse Closings is a nationwide full-service title and settlement company that focuses on smooth closing of reverse mortgage loans. PRC's staff has made their mark over the past 15 years in the reverse mortgage title and settlement industry by offering a consistent combination of professionalism, experience, diligence and customer care. It is this combination that has helped lenders and brokers successfully close over 140,000 reverse mortgage transactions with our team.

At PRC you will find innovative customer service resources, experienced Settlement Officers, knowledgeable legal departments and Title Officers well versed in reverse mortgage and backed by the strongest group of underwriters in the industry. We process efficiently and effectively so that you can be rest assured that your transaction will close on time, be handled with care and most importantly…we take pride in what we do and it shows.

*Contact us at 800-542-4113*
*You can also find us on the web at www.PRClosings.com*

## Reverse Mortgage Solutions

When your experience was built on servicing reverse mortgages, you have a unique lending perspective: the quality of the loans originated. This translates into RMS becoming an industry leader in reverse mortgage lending and loan servicing. We are the largest privately held mortgage servicer in the US and a full service independent mortgage banking company. Our well-seasoned staff will provide you exceptional level of services with market leading pricing. To accelerate your growth, go here: www.RMPath.com

*Contact: Ralph E. Rosynek, Jr. / VP National – Wholesale and Correspondent Production Manager*
*Phone: Direct: 281-404-7970*
*E-mail: RRosynek@rmsnav.com*

## Reverse Vision

ReverseVision is a leading technology company in the reverse mortgage industry. 10,000 users in 1000 companies rely on ReverseVision to originate reverse mortgages. Loan officers like the simplicity of ReverseVision and the powerful graphical representation of reverse mortgages. Lenders rely on ReverseVision for RESPA compliance and use ReverseVision's reporting features to manage their operation. ReverseVision is privately owned and independent and focuses on reverse mortgages exclusively. The company is located in North Carolina and employs a team of leading software engineers and reverse mortgage specialists with a combined experience of over 50 years.

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

## UFG/Reverse it!

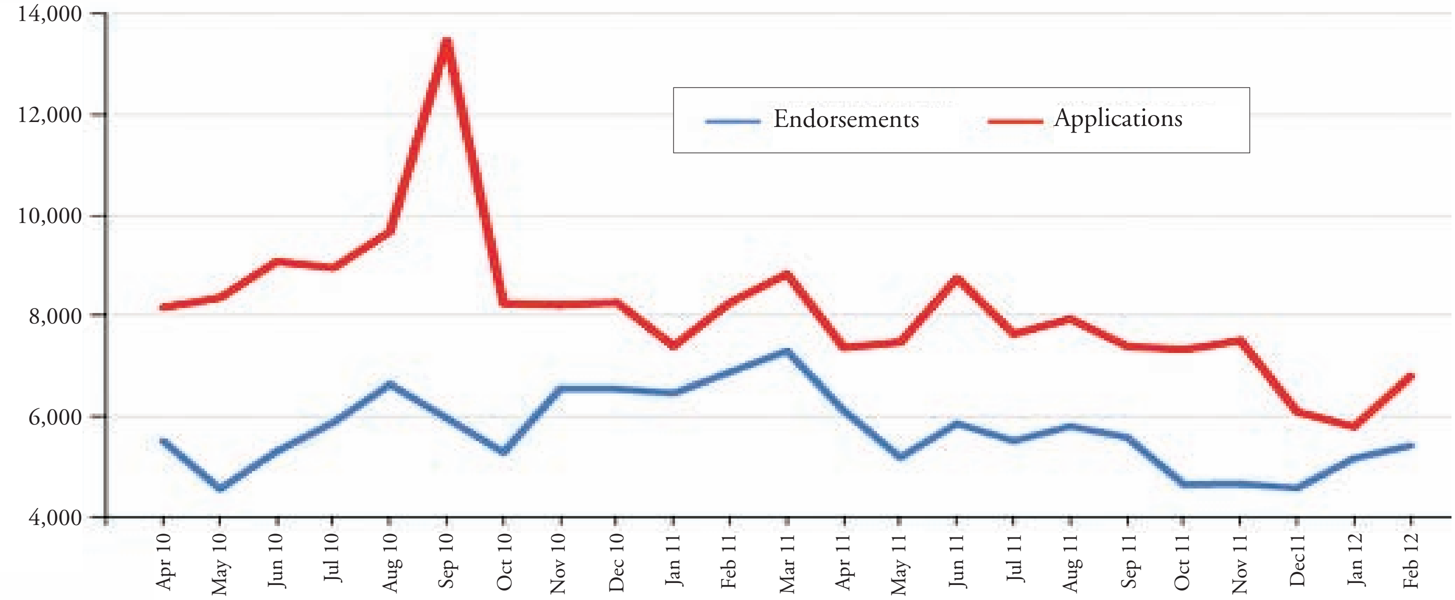
Urban Financial Group & Reverse it! offer a complete line of products and services in the retail and wholesale reverse mortgage industry, respectively. Consistently ranked among the top ten lenders in the nation, Urban Financial Group and Reverse it! have built their success using a turn-key, streamlined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

*Visit us at www.reverseit.com*
*Career opportunities: Call 888-777-3311 or email us: sandy@urbanfinancialgroup.com* RM

Industry Data

# HECM Volume Trends

*Two Year Trends Through February 2012*




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

# The Nation's 20 Largest HECM States

*Below is a ranking of HECM activity by state from January 1, 2012, through March 31, 2012.*

| Rank | Rank Change | State | Loans Issued | Y-o-Y % Change | Max. Claim amounts | Marketshare |
|---|---|---|---|---|---|---|
| 1 | 0 | CA | 1,910 | -35.6% | $760,928,911 | 12.8% |
| 2 | 0 | TX | 1,336 | -23.5% | $216,859,863 | 8.9% |
| 3 | 1 | NY | 1,172 | -5.0% | $413,580,360 | 7.8% |
| 4 | -1 | FL | 949 | -34.4% | $201,234,919 | 6.3% |
| 5 | 0 | PA | 720 | -23.7% | $128,584,275 | 4.8% |
| 6 | 0 | NJ | 646 | -27.4% | $190,431,338 | 4.3% |
| 7 | 0 | VA | 549 | -35.3% | $126,531,386 | 3.7% |
| 8 | 0 | MD | 427 | -40.7% | $111,684,644 | 2.9% |
| 9 | 1 | NC | 412 | -24.0% | $77,933,084 | 2.8% |
| 10 | 1 | IL | 395 | -26.2% | $68,939,703 | 2.6% |
| 11 | 3 | PR | 381 | -7.3% | $62,089,048 | 2.5% |
| 12 | 6 | TN | 336 | -6.4% | $56,808,700 | 2.2% |
| 13 | -4 | WA | 316 | -42.5% | $87,351,386 | 2.1% |
| 14 | -1 | MA | 311 | -30.9% | $100,785,500 | 2.1% |
| 14 | 10 | UT | 311 | 9.1% | $75,565,278 | 2.1% |
| 16 | 4 | OH | 272 | -19.3% | $38,409,740 | 1.8% |
| 17 | 4 | LA | 270 | -15.4% | $43,382,999 | 1.8% |
| 18 | -6 | GA | 268 | -47.0% | $50,896,680 | 1.8% |
| 19 | -2 | CO | 255 | -32.2% | $66,815,115 | 1.7% |
| 20 | -4 | OR | 252 | -33.2% | $61,534,317 | 1.7% |

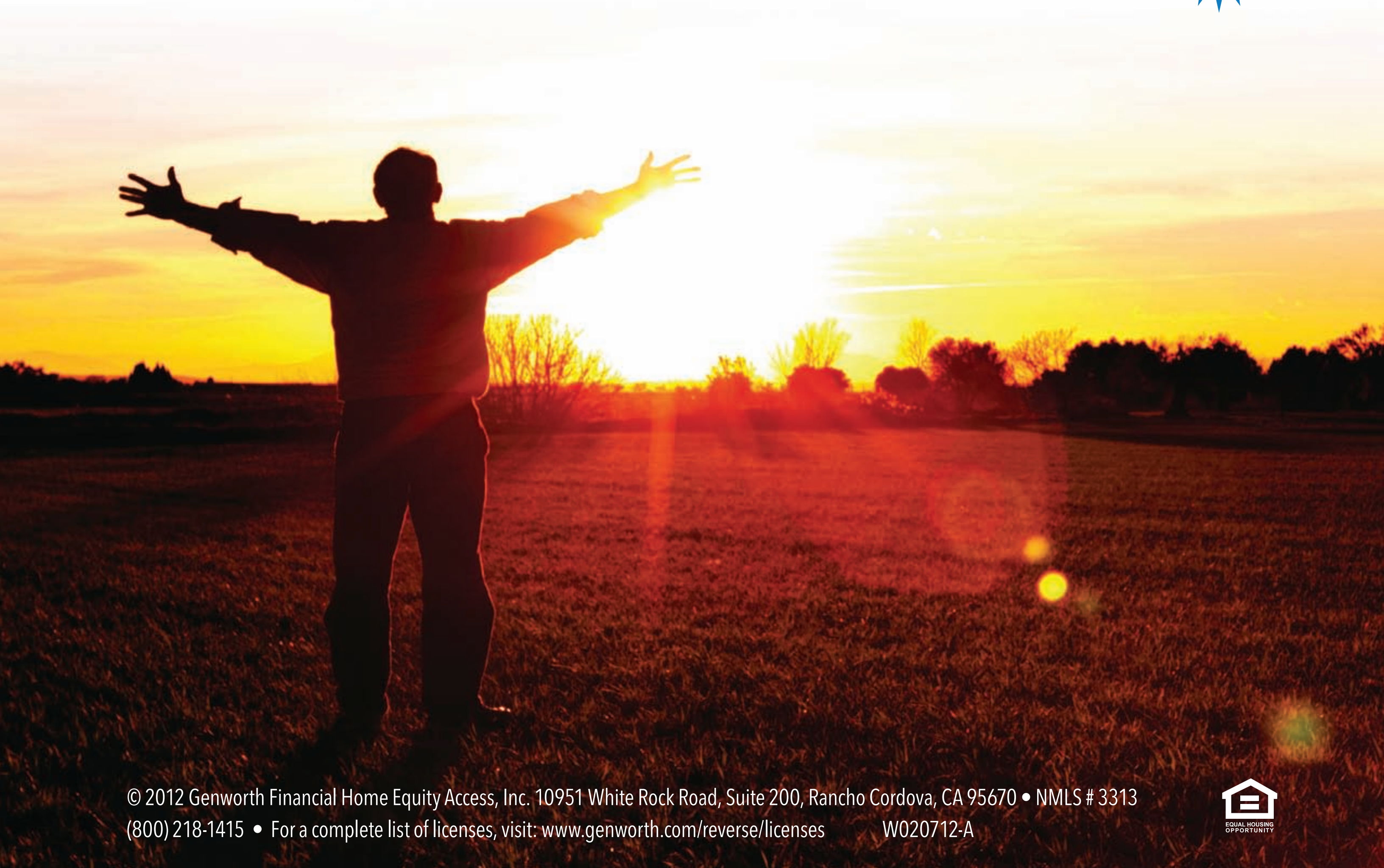
Source: Reverse Mortgage Insight (www.rminsight.net)

# The Nation's Top 100 HECM Lenders

*January - March 2012*

| Rank | Lender | Loans Issued | Y-o-Y % Change | Maximum Claim Amts.* | Market-share |
|---|---|---|---|---|---|
| 1 | MetLife Bank | 2,584 | 82.1% | $682,897,657 | 17.3% |
| 2 | One Reverse Mortgage LLC | 1,240 | 22.2% | $208,186,402 | 8.3% |
| 3 | Genworth Financial HM Equity A | 650 | 89.5% | $144,671,854 | 4.3% |
| 4 | American Advisors Group | 649 | 94.9% | $120,904,699 | 4.3% |
| 5 | Urban Financial Group | 424 | 17.5% | $69,991,355 | 2.8% |
| 6 | The First National Bank Layton | 405 | 151.6% | $112,546,300 | 2.7% |
| 6 | Security One Lending | 405 | 141.1% | $119,283,990 | 2.7% |
| 8 | Generation Mortgage Company | 342 | -19.5% | $82,315,427 | 2.3% |
| 9 | Reverse Mortgage USA Inc | 293 | 23.6% | $47,626,400 | 2.0% |
| 10 | New Day Financial LLC | 194 | 16.2% | $38,927,900 | 1.3% |
| 11 | M & T Bank | 168 | -2.3% | $30,240,000 | 1.1% |
| 12 | Cherry Creek Mortgage Co Inc | 150 | 316.7% | $41,300,326 | 1.0% |
| 13 | iReverse Home Loans LLC | 137 | 16.1% | $39,018,500 | 0.9% |
| 14 | Senior Mortgage Bankers Inc | 127 | -7.3% | $18,402,600 | 0.8% |
| 15 | Money House Inc | 119 | -16.8% | $22,525,500 | 0.8% |
| 16 | Royal United Mortgage LLC | 95 | 55.7% | $18,111,200 | 0.6% |
| 17 | United Southwest Mortgage Corp | 92 | 64.3% | $27,353,584 | 0.6% |
| 18 | Net Equity Financial Inc | 90 | -45.1% | $24,610,200 | 0.6% |
| 19 | Sun West Mortgage Co Inc | 88 | 158.8% | $22,011,000 | 0.6% |
| 20 | Open Mortgage LLC | 76 | 81.0% | $20,582,400 | 0.5% |
| 20 | Aspire Financial Inc | 76 | 24.6% | $11,936,700 | 0.5% |
| 22 | Atlantic Bay Mortgage Group LL | 75 | 257.1% | $15,858,099 | 0.5% |
| 22 | Great Oak Lending | 75 | -49.0% | $17,628,500 | 0.5% |
| 24 | Associated Mortgage Bankers Inc | 69 | 475.0% | $23,404,110 | 0.5% |
| 25 | All Financial Services Inc | 68 | 11.5% | $9,003,500 | 0.5% |
| 26 | MAS Associates LLC | 64 | 16.4% | $11,525,900 | 0.4% |
| 27 | Maverick Funding Corp | 62 | | $17,370,400 | 0.4% |
| 28 | Reverse Mortgage Solutions Inc | 60 | 36.4% | $9,290,200 | 0.4% |
| 29 | GMFS LLC | 59 | 103.4% | $9,024,500 | 0.4% |
| 30 | Firstbank | 58 | | $10,021,900 | 0.4% |
| 31 | Mortgageshop LLC | 57 | -3.4% | $11,114,800 | 0.4% |
| 31 | Sidus Financial LLC | 57 | 171.4% | $11,365,000 | 0.4% |
| 31 | Nationwide Equities Corporation | 57 | 42.5% | $18,728,000 | 0.4% |
| 34 | United Northern Mortgage Bankers | 55 | 150.0% | $20,647,000 | 0.4% |
| 35 | Primelending A Plainscapital | 53 | -27.4% | $13,501,490 | 0.4% |
| 36 | Contour Mortgage Corporation | 52 | 642.9% | $17,714,500 | 0.3% |
| 36 | Greenlight Financial Services | 52 | 5100.0% | $19,764,000 | 0.3% |
| 38 | Sterling Savings Bank | 47 | 213.3% | $13,292,500 | 0.3% |
| 39 | Trinity Reverse Mortgage | 46 | -6.1% | $19,886,500 | 0.3% |
| 39 | Network Funding LP | 46 | 27.8% | $8,965,400 | 0.3% |
| 41 | Townebank | 45 | 246.2% | $10,006,600 | 0.3% |
| 42 | Community First Bank | 44 | 450.0% | $9,255,000 | 0.3% |
| 42 | Sun American Mortgage Co | 44 | 15.8% | $10,857,042 | 0.3% |
| 44 | Equipoint Financial Network Inc | 41 | -51.8% | $8,942,600 | 0.3% |
| 44 | West Town Savings Bank | 41 | 127.8% | $9,293,700 | 0.3% |
| 46 | Harvard Home Mortgage Inc | 40 | 37.9% | $7,080,000 | 0.3% |
| 46 | Christensen Financial Inc | 40 | -11.1% | $8,165,000 | 0.3% |
| 46 | Gateway Funding Diversified MT | 40 | 42.9% | $9,710,000 | 0.3% |
| 49 | Senior American Funding Inc | 38 | -36.7% | $13,176,500 | 0.3% |
| 50 | Universal Lending Corporation | 37 | 5.7% | $10,162,500 | 0.2% |
| 51 | Primary Residential Mortgage Inc | 36 | 38.5% | $7,677,700 | 0.2% |
| 52 | Integrity 1st Mortgage Inc | 35 | -5.4% | $3,689,400 | 0.2% |
| 53 | Axia Financial LLC | 34 | 385.7% | $8,524,000 | 0.2% |
| 53 | New American Mortgage LLC | 34 | 61.9% | $8,859,547 | 0.2% |
| 55 | Top Flite Financial Inc | 33 | 153.8% | $7,563,900 | 0.2% |
| 55 | Urban Housing Mortgage & Realty | 33 | | $4,897,000 | 0.2% |
| 55 | Fulton Bank National Association | 33 | 17.9% | $6,363,169 | 0.2% |
| 55 | Future Security Financial | 33 | | $13,685,000 | 0.2% |
| 55 | American Pacific Mortgage | 33 | -5.7% | $10,215,426 | 0.2% |
| 60 | Value Financial Mortgage Services | 32 | 60.0% | $6,175,186 | 0.2% |
| 60 | Vanguard Funding LLC | 32 | 146.2% | $10,020,500 | 0.2% |
| 60 | Montgomery Mortgage Inc | 32 | 6.7% | $7,052,500 | 0.2% |
| 63 | High Tech Lending Inc | 31 | 121.4% | $11,106,000 | 0.2% |
| 63 | Oceanfirst Bank | 31 | 29.2% | $9,083,500 | 0.2% |
| 65 | American Nationwide Mortgage Co | 30 | 76.5% | $6,716,300 | 0.2% |
| 65 | Vig Mortgage Corp | 30 | 15.4% | $4,795,000 | 0.2% |
| 67 | Van Dyk Mortgage Corporation | 29 | 81.3% | $4,217,000 | 0.2% |
| 68 | Advisors Mortgage Group LLC | 28 | 1300.0% | $11,135,000 | 0.2% |
| 69 | Aramco Mortgage Inc | 27 | -10.0% | $11,324,500 | 0.2% |
| 70 | Approval First Home Loans Inc | 26 | -25.7% | $6,891,500 | 0.2% |
| 70 | Tripoint Mortgage Group | 26 | -50.9% | $11,668,250 | 0.2% |
| 70 | Priority Mortgage Corp (Florida) | 26 | 36.8% | $4,485,000 | 0.2% |
| 73 | Legacy Home Financing | 25 | 78.6% | $10,947,500 | 0.2% |
| 73 | New Castle Mortgage LLC | 25 | 8.7% | $4,097,500 | 0.2% |
| 75 | Mortgage Services III LLC | 24 | 60.0% | $5,202,400 | 0.2% |
| 75 | Access Reverse Mortgage Corporation | 24 | 242.9% | $4,781,000 | 0.2% |
| 75 | Emery Federal Credit Union | 24 | | $6,623,000 | 0.2% |
| 75 | Continental Home Loans Inc | 24 | 200.0% | $9,858,500 | 0.2% |
| 79 | Home Savings of America | 23 | -41.0% | $6,432,800 | 0.2% |
| 80 | Washington Trust Company | 22 | 340.0% | $8,097,500 | 0.1% |
| 80 | DAS Acquisition Co LLC | 22 | 2100.0% | $4,493,100 | 0.1% |
| 80 | First Liberty Financial Group LLC | 22 | 1000.0% | $3,478,000 | 0.1% |
| 80 | East Coast Capital Corp | 22 | 15.8% | $9,668,000 | 0.1% |
| 84 | First Midwest Bank | 21 | 16.7% | $3,745,800 | 0.1% |
| 84 | People's Bank | 21 | 950.0% | $6,036,000 | 0.1% |
| 84 | First Priority Financial Inc | 21 | 23.5% | $4,661,400 | 0.1% |
| 84 | James B Nutter and Company | 21 | 10.5% | $3,531,500 | 0.1% |
| 88 | The Senior Equity Group Inc | 20 | -4.8% | $9,495,000 | 0.1% |
| 88 | Sentrix Financial Services Inc | 20 | 300.0% | $5,077,000 | 0.1% |
| 88 | Residential Home Funding Corp | 20 | 185.7% | $6,037,000 | 0.1% |
| 88 | Envoy Mortgage Ltd | 20 | -42.9% | $4,895,500 | 0.1% |
| 88 | MCM Holdings Inc | 20 | 25.0% | $4,136,500 | 0.1% |
| 88 | Dollar Bank FSB | 20 | 900.0% | $3,698,000 | 0.1% |
| 88 | Hamilton Group Funding Inc | 20 | 300.0% | $3,919,500 | 0.1% |
| 88 | First Century Bank NA | 20 | 100.0% | $4,278,200 | 0.1% |
| 88 | Southern Trust Mortgage LLC | 20 | 81.8% | $5,990,900 | 0.1% |
| 88 | CBC National Bank | 20 | | $5,177,900 | 0.1% |
| 88 | Cliffco Inc | 20 | 300.0% | $8,570,500 | 0.1% |
| 99 | Fountain City Funding Inc | 19 | 90.0% | $4,117,500 | 0.1% |
| 99 | Spectra Capital Inc | 19 | 111.1% | $5,013,500 | 0.1% |

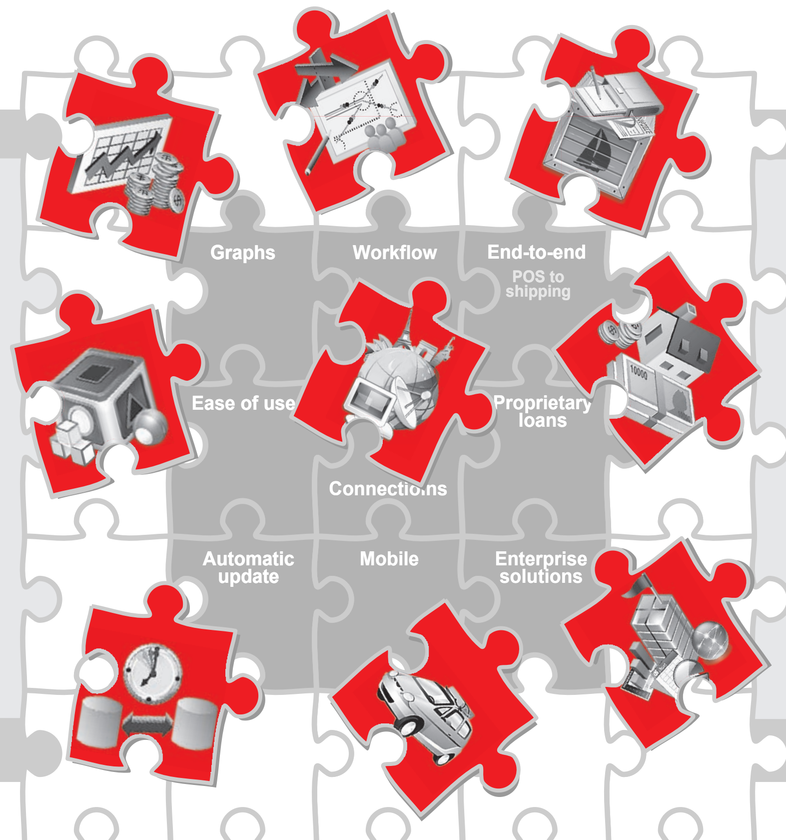
* In millions | Source: Reverse Mortgage Insight (www.rminsight.net)



REVERSEVISION

# ReverseVision Suite

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




**Companies switching to ReverseVision experience an immediate increase in their productivity.**

- Complete integration from origination to processing, underwriting, closing and shipping.
- Highly scalable from small entities to enterprises with correspondents and branches.
- Sales oriented graphical interface integrates directly with Microsoft Word and Outlook.
- Direct interface or export for Celink, RMS, Fannie Mae, UBS, Goldman Sachs...
- Business process driven workflow for best practices in the reverse mortgage industry.

**Over the past 12 months more than 100 companies with over 2000 users switched to ReverseVision.**

www.reversevision.com • (919) 834 0070 • info@reversevision.com
ReverseVision Inc. • 3310 Pollock Place • Raleigh, NC 27607-7006

ReverseVision Suite