November-December 2013
Volume 6, No. 6

Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association

New Music:
Changing the Reverse Mortgage Conversation

Heck & Fitzpatrick:
Meet HECM Stabilization Sponsors

Extreme Summit:
300,000 Loans Per Year by 2018

Colin Cushman's View from the Inside

What the HECM Changes Mean for You

NRMLA

Special Issue:

2013 ANNUAL MEETING & EXPO

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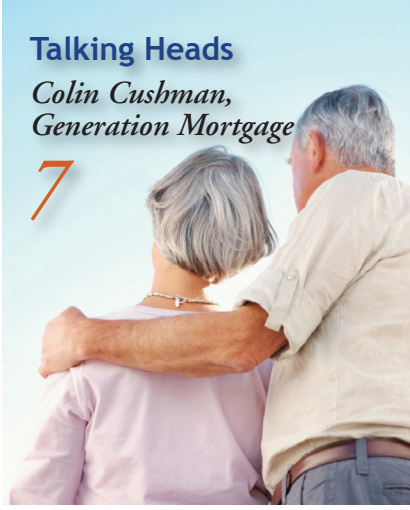
SPECIAL ISSUE:

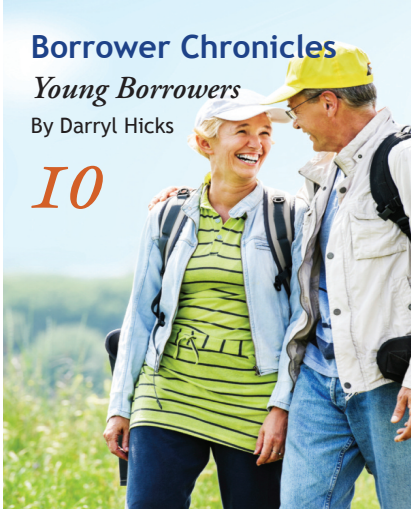
2013 Annual Meeting & Expo

New Music: Changing the Reverse Mortgage Conversation

Columns

Monthly Features





Scribes

Meet This Month's Contributors

Since this issue has been written by the Reverse Mortgage Magazine staff and regular columnists, we are devoting this page to the scribes in Congress who wrote and sponsored the Reverse Mortgage Stabilization Act of 2013. We are grateful to each of you.

Senate

Robert Menendez

Bob Menendez's story is a quintessential American story. He grew up the son of immigrants in a tenement building in Union City and has risen to become one of 100 United States Senators. A product of New Jersey's public schools and a graduate of the state's universities, Bob learned early on the importance of standing up for what's right, no matter how powerful the opposition. Bob was sworn in to the Senate on January 18, 2006, having been appointed by New Jersey Governor Jon Corzine to fill the remainder of his term. Later that year, New Jerseyans elected Bob to serve a full six-year term as United States Senator. He is currently the Chairman of the Senate Foreign Relations Committee and serves on the Senate Committees on Finance and Banking, Housing and Urban Affairs. Bob is also the Chairman of the Banking Subcommittee on Housing, Transportation and Community Development.

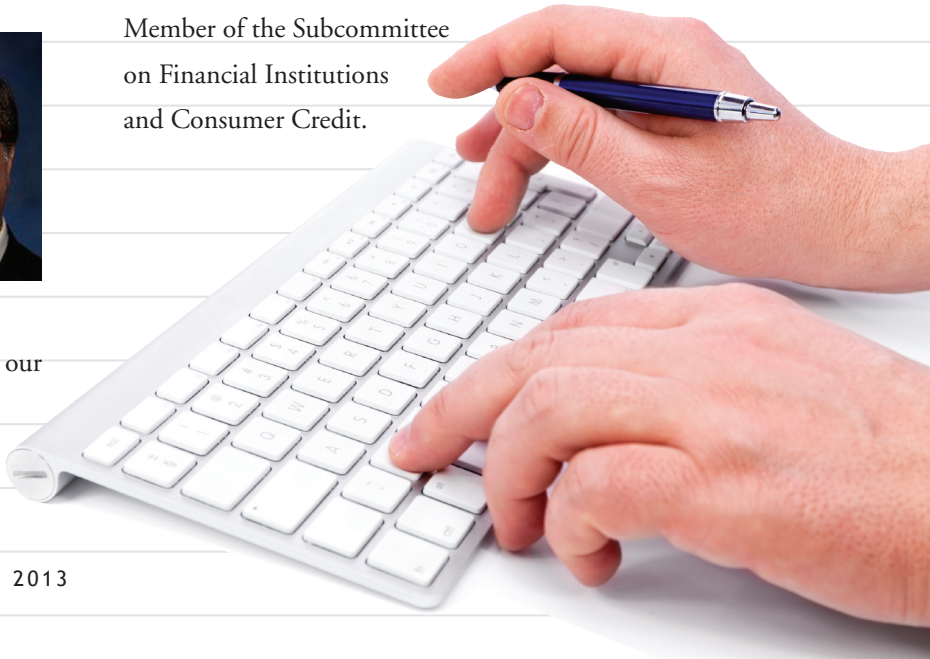
House of Representatives

Denny Heck

Denny Heck On November 6th, 2012, the residents of Washington's new 10th Congressional District elected Denny Heck to be the district's first member of the United States House of Representatives. Since taking office, Congressman Heck's top priorities have been creating jobs, growing our economy and keeping the American Dream alive for the middle class and those working to get into it. He has been a vocal advocate for military families and veterans as well as for the health and natural beauty of the Puget Sound's environment. Congressman Heck serves on the House Financial Services Committee. He is the only member of the Committee from the Pacific Northwest. He is a member of the Financial Institutions and Consumer Credit subcommittee as well as the Oversight and Investigations subcommittee.

Michael Fitzpatrick

Michael G. "Mike" Fitzpatrick (born June 28, 1963) is the U.S. Representative for Pennsylvania's 8th congressional district. He is a member of the Republican Party. He was first elected to congress in 2004, and represented the district from 2005 to 2007, but lost to Patrick Murphy in 2006. He was reelected to Congress in 2010 and 2012. Fitzpatrick is a Member of the Committee on Financial Services, Vice-Chairman, Subcommittee on Oversight and Investigations and a Member of the Subcommittee on Financial Institutions and Consumer Credit.



What's New?

SO WHAT'S NEW, YOU ASK? IN THIS ISSUE, EVERYTHING. As Americans we love "new." New movies, new restaurants, new friends, new shoes. Even our Presidents have a penchant for "new." New Federalism, New Deal, New Frontier.

We are now on the cusp of welcoming the New Reverse Mortgage. And so this year's Annual Meeting & Expo as well as this conference issue are entitled, "New Music: Changing the Reverse Mortgage Conversation." And let's face it: it needed change. We've had too much of a volume dip, too much static in the press, too many defaults, too many sleepless nights. Hopefully that's behind us.

With the passage of the bipartisan Reverse Mortgage Stabilization Act of 2013 through both houses of Congress, HUD has the authority to make and is already making changes to the program that protect borrowers from dangerous decisions and, at the same time, eliminate many of the common criticisms. At NRMLA, we all felt great relief and satisfaction when the bill finally passed the Senate on the eve of the summer recess. And we felt particularly grateful to the two gentlemen in the House – Denny Heck, a Democrat from Washington, and Mike Fitzpatrick, a Republican from Pennsylvania – who bravely took the lead and smacked their John Hancocks on the bill. On page 12, you can meet the two proud Congressmen, learn about them as well as a bit about the process they went through. (*Heck/Fitzpatrick.*)

The bill promoted immediate action from HUD with the first set of changes offered in a Mortgagee Letter the day after Labor Day. So we've asked our regular columnists, Shannon Hicks (*Innovations*, p. 26) and Atare Agbamu (*Reverse Matters*, p. 28) to reach out to members for some reactions to the changes and reports on their progress in implementation.

Of course, none of the changes mean anything unless we spread the gospel. Since I joined NRMLA over four years ago, I have been hearing an outcry for what is most glibly referred to as a "Got Milk" campaign, an industry-wide effort to alter the public conversation. And as the drama of the HUD legislation was occurring, Otto Kumbar, CEO of Liberty Home Equity Solutions, was convening industry thought leaders and companies with resources to plan such an effort. Now on the threshold of its launch, for the first time we get to report to you on the plans that can change all of your businesses. (*Extreme Summit: 300,000 Loans Per Year by 2018*, p. 18.)

Another something new you may discover at this year's annual gathering is the Independent Reverse Originators Council, an information-focused caucus pulled together by a handful of members that provides owners of small businesses the opportunity to share experiences and have a voice in the industry process. (*IROC*, p.22)

So you see, I wasn't exaggerating when I told you everything is new. And I suspect all of this is good news.

To learn more, join us on November 4-6 at our Annual Meeting and Expo. Where? *New* Orleans, of course.

Marty Bell, *Editor*

Balanced Viewpoint

Our Responsibility

By Peter Bell, President of NRMLA

IN AUGUST, I HAD THE HONOR OF GOING TO THE White House to witness the signing into law of the Reverse Mortgage Stabilization Act by President Obama. It was an honor to be welcomed into the Oval Office by the President. It was a particular honor for me personally to accompany HUD Secretary Shaun Donovan and Assistant Secretary Carol Galante, two extraordinarily dedicated and talented housing professionals, whom I have known and admired for many years through their work on affordable housing. It was also an honor to be there with Congressmen Denny Heck and Mike Fitzpatrick, one a Democrat, the other a Republican, who were both able to look beyond today's partisan divide to reach across the aisle, jointly sponsor and obtain passage of this bill, a rare occurrence in the 113th Congress.

While it was both humbling and quite moving to witness history as this Act of Congress was signed into law, I felt a gravity to the situation that I would like to share with NRMLA members. While sitting in the foyer awaiting the President's invitation into his inner sanctum, the Oval Office, Secretary Donovan, Commissioner Galante, Congressmen Heck and Fitzpatrick and I discussed what lies ahead, for the HECM program, for FHA, and for housing policy overall.

The message from the passage of the Reverse Mortgage Stabilization Act, no matter what one might feel about the actual changes in program parameters as a result – and not withstanding the fact that some opponents to government programs in general have proposed to kill the HECM program – is that its enactment signals bi-partisan acknowledgement that reverse mortgages are an important option for older Americans and that the HECM program should remain viable and relevant.

As we talked that day in the West Wing, it became clear to me that I was not invited there simply for the honor of being there. I was not asked to attend this prestigious event merely as a gesture recognizing the work NRMLA did on getting this bill through Congress.

Peter Bell

I was invited there to bring home the message – to make sure that I understand and convey to our members – that with the honor, comes responsibility.

Lawmakers from both sides of the aisle, Republicans and Democrats alike, in the House and the Senate, and within the Administration, all the way from HUD to the White House, have acknowledged that they believe in what we do.

They also have a belief that they can depend upon us, the reverse mortgage industry, to do the right thing.

The new law gives FHA the authority to make administrative decisions on an expedited basis in order to manage the HECM program more responsively based on lessons learned along the way and ever-changing economic conditions.

Our role is to be responsive to HUD's management decisions. We can help shape procedures as the Department thinks them through, share data to demonstrate what our experience shows, and offer analytical assessment to explain what it tells us.

In the end, in a business such as ours that is driven almost entirely by a government tool (FHA insurance) at this particular point in time, the expediencies of public purpose will dominate the discussion. We must face both the specific issues of our program as well as the broader issues about the role of government in general; there is no escaping either of these.

HUD must make decisions based on pressures from a lot of different interests. And we must be aware of and consider all those interests, not just our own. RM

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Presenting Reverse Mortgages In a New Way

Colin Cushman, Generation Mortgage

By Darryl Hicks

COLIN CUSHMAN IS SOMEWHAT UNIQUE IN THE reverse mortgage business. He is the only person I know who began his career working at the Federal Housing Administration, where he oversaw the safety and soundness of the Home Equity Conversion Mortgage program, to go on to run one of the largest reverse mortgage companies in the United States.

As Director of Portfolio Analysis, Cushman and his staff minimized losses in the HECM books of business by instituting important programmatic changes, such as introducing the HECM Saver program, increasing mortgage insurance premiums and reducing principal limit factors.

Although HECM represented a small percentage of FHA's total business, it was Cushman's favorite program, because it served a very important social mission – that is, helping older Americans leverage their private home equity to finance their retirement years. However, he was dismayed at how underutilized the program was and part of the problem, he felt, was the way that lenders marketed the program.

After spending six years at the FHA, Cushman felt if he ever was going to make a difference helping the general public understand the value proposition of reverse mortgages, he had to switch hats, from being a regulator to being a lender.

In July 2012, he joined Generation Mortgage Company as Chief Risk & Strategy Officer and within eight months he was promoted to President and CEO.

Reverse Mortgage magazine sat down with Cushman to talk about his time at FHA, his plans to make reverse mortgages more mainstream, and his impressions of the recent changes to the HECM program enacted by FHA in Mortgagee Letter 2013-27.

Colin Cushman

Reverse Mortgage: ***You played an instrumental role at FHA for many years. What prompted you to leave government for the private sector?***

Colin Cushman: While I was in portfolio analysis, I worked with a lot of different loan programs, but the one that intrigued me the most was the reverse program. Home Equity Conversion Mortgages have the opportunity to change the way that we look at retirement planning. They enable older Americans to age-in-place and fund the remainder of their lives. There are other government programs that help our society, but this one always stood out to me as being underutilized and misunderstood; yet the value proposition is obvious. At FHA, I had the opportunity to work on the policy side, but I never had the opportunity to change the conversation to further the mission of the program. I could regulate and monitor, but I was never hands-on with providers or customers. By leaving FHA for this space, I'm now able to have a conversation with the public and build the tools that I think are needed to make conversion mortgages more mainstream.

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***RM:** What has been your biggest challenge transitioning from FHA to running one of the largest reverse mortgage companies?*

CC: The biggest challenge has been educating the industry on all of the various value propositions that are made available by this program. The industry is focused on just one, which is alleviating a cash need or some kind of debt. This has created a public perception problem because people currently view conversion mortgages as being needs-based or as a program of last resort, when in reality that is just one way that they can be used. If properly planned for and utilized, you end up with a much better outcome.

***RM:** What you just said seems to correlate with what FHA has been trying to do through regulation, which is reposition the HECM as a long-term financial management tool. Do you agree?*

CC: I was fortunate enough to have the two creators of the HECM program, Judy May and Ed Szymanoski, as my one and two bosses. I learned from them the original intent of the program, how it was constructed, and the real value proposition that was laid out. Essentially, there are two value propositions in its design. One is the proceeds are usable for the needs of the senior. That has been touched on a little bit recently through the changes in policy on restricting the amount of proceeds available during the first 12 months. However, the real value proposition is being able to leverage home equity through various payment plans. That's a huge option for the senior. And yet another value is in the growing line-of-credit, which actually facilitates savings. People don't think of it that way, but it does. In other words, if you save your home equity today, and you wait and utilize it tomorrow, there is more for you to utilize. That value proposition sets up the opportunity for seniors to be able to age-in-place. Save, utilize. Save, utilize. If you do so in an optimal way, you can be successful in the overall mission. I have always appreciated the value of looking at this loan product not as a one-time transaction, but as a tool to leverage home equity in a way that's going to meet your ongoing, long-term needs as a senior. The only way you can do that is by focusing on how you can utilize the equity in your home to plan out a successful future instead of focusing on how much cash you can get for your home. The question is – how do you shift that focus? There are two ways this can be accomplished. One is for the industry to do it through proper education and sales and marketing strategies, but we're past the time when that was a real option. Now we're left with regulation. FHA did what they had to do, unfortunately.

***RM:** You joined GMC as Chief Risk and Strategy Officer. In only 8 months, you were elevated to CEO. What was that experience like?*

CC: There is only one word to describe it: exciting. The principal roles of a CEO, especially in the mortgage business, are focused on risk and strategy. In my previous position, I was doing things that were similar to many of the things I do currently. However, the real value in this exercise has been having the ability to hire the team that I think is needed to change the conversation and to change this market into one that is more mainstream.

***RM:** Your new application, nu62 (pronounced new62), is one of the most innovative I've ever seen. Has it changed your clients' perceptions about reverse mortgages?*

CC: Absolutely. When we first created it, we showed it to just five or six people who were seniors or friends or baby boomer heirs. Before they saw the app, we explained what a conversion mortgage is and the various ways you can leverage home equity. Their initial response was 'that's not something I need or my parents need,' but then I would say, "ok, give me five minutes.' Then, once they saw nu62, suddenly they were saying, 'I need to get one of those for my parents, or I have to get one for myself. I had no idea that's what this program was about.' The nu62 tool demonstrates the value proposition of leveraging home equity through various means and emphasizes dimensions that haven't been present, such as time and transparency. Anytime you have a program that lacks transparency you have the possibility of a bad public perception. nu62 is the truth – the reality – of what home equity conversion is all about. It visually demonstrates how equity can best be utilized, so it's easy to understand the value proposition offered by the growth of a credit line or how using different payment and

Talking Heads continued on page 9

Talking Heads continued from page 8

cash flow strategies can benefit you over the long term. There are ways in which you can utilize home equity to meet almost any need, and nu62 was built to start that conversation.

***RM:** What was your initial reaction when Mortgagee Letter 2013-27 was published?*

CC: My initial reaction was, 'ok, we've got 26 days. What do I need to do immediately to make sure Generation is operating and taking case numbers on September 30?' I looked at the clock and considered what we needed to do, and then I immediately went to work putting together teams to get all of the operational pieces in order.

***RM:** How do you think the public will perceive the new one-time, lump sum draw payment plan option, the so-called HECM Mini? I view it as a variation of the old Saver, because it gives people the option to preserve their home equity, yet that program was surprisingly underutilized.*

CC: I think at first we'll see only borrowers with high mandatory obligations locking into a fixed rate use this new product. Then over time the market will try to find a way to demonstrate value in a lump sum 'mini' utilization of home equity. I think the hard part out of the gates will be finding any secondary market appetite for the 'mini'.

***RM:** Some people aren't happy that principal limit factors were reduced another 10 to 15 percent, but if we ever transition to a proprietary market aren't PLF cuts necessary?*

CC: I believe in a proprietary conversion mortgage market, because it improves consumer choice. However, I don't believe that cutting factors can be part of how we get to a proprietary conversion mortgage product. Cutting factors is basically cutting draw-able equity, and that's not a good idea. The more equity that we allow a senior to leverage, the better the probability that person can succeed. It can't be one at the expense of the other. A proprietary market must find ways to offer products that compete on other levels rather than just competing on straight up draw-able equity. Lower costs or higher loan limits are two options to consider. There are different ways to structure loan products that incentivize different types of behaviors and different types of solutions.

***RM:** You were an early proponent of the Financial Assessment. Do you think ML 2013-27 goes far enough and will help reduce future defaults?*

CC: I do think the new guidelines will help reduce future defaults, but I think it will be an iterative process. What was put forward in the guidelines is a starting point. Because you have 23 years without any heavy underwriting in this program, there is limited data to define people who would potentially fail to meet their financial obligations. I think FHA took a decent stab at putting together policies that will help lessen T&I delinquencies, but I think it's going to be iterative. The industry will be able to gather data that can be used to fine tune and identify borrowers who have the highest propensity to fail, and FHA will use that information to develop future regulations. The guidelines will never fully eliminate T&I delinquencies because there are events that happen after a loan closes that can never be predicted, but that happens with any loan program.

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

CC: If we're talking about the program itself, I believe that the levels of draw-able equity (PLF factors) should be raised, and I hope FHA can do that over time after they get additional information on market economics and performance data on the HECM books-of-business. I am very hopeful that draw-able equity will come back to the Standard levels of today (pre-September 30, 2013). I think the 15 percent cut was a little heavy-handed, but FHA did what it had to do. If I was going to change the marketplace, then I would go back to what I said earlier about changing public perception through greater transparency. The marketplace has been starving for the ability to demonstrate the value proposition of this loan product but hasn't been very successful in doing so over the past 23 years. We have one of the most progressive products for long-term financial health available. This is by far the best product out there, but it's unfortunate that the country doesn't know what it has at its fingertips. RM

Younger Borrowers

By Darryl Hicks

MIKE AND DONNA HERMANSEN OF APACHE JUNCTION, AZ, represent a new type of reverse mortgage client—they're Boomers, they're active, and a reverse mortgage is part of a life plan.

Over the past 23 years, the average borrower age has declined from 76.7 years to 71.9 years. In 2012, the Mature Market Institute and National Council on Aging published a study, which found that 46 percent of homeowners who went through reverse mortgage counseling between September and November 2010 were under age 70. The study's authors attributed the demographic shift, in part, to the economic crisis and a desire on the part of some younger couples to eliminate their mortgages and other debts.

Recent research reports by academics show how utilizing a reverse mortgage from an earlier age can extend the life of your cash. In an article published in September, *New York Times* personal finance reporter, Tara Siegel Bernard, said the recent regulatory changes implemented by FHA – particularly the limits on how much can be withdrawn in the first year – may help transform the Home Equity Conversion Mortgage from being a short-term crisis management tool back into a long-term financial planning tool.

The Hermansen's are a good example of how a younger couple used a reverse mortgage to help plan for the future.

The couple lives a modest, comfortable life, deriving most of their income from Social Security and retirement plans. Mike, age 68, retired early at 59, from a career spent in law enforcement and corrections. His wife Donna, age 66, left a career in accounting and retired this past February.

They reside in a gated community for persons 55 and older, in a single-story, 2-bedroom, 2-bathroom home that they bought brand new. The couple moved from Michigan, where most of their kids still live, to be in a more temperate climate.

You can tell from Donna's voice that they love their home and their neighbors. "We know all of our neighbors. We do a lot together," she said. "Outside of our gated community most homes are surrounded by six-foot walls, which makes it really hard to know your neighbors. We didn't want that."

After Donna retired, they started paying more attention to the reverse mortgage commercials featuring former Senator Fred Thompson and discussed whether it was an option worth exploring further. "What finally convinced us was the woman doing our taxes earlier this year," said Donna. "She heard us talking about the reverse mortgage and said 'do it, because it was the best thing I ever did.'"

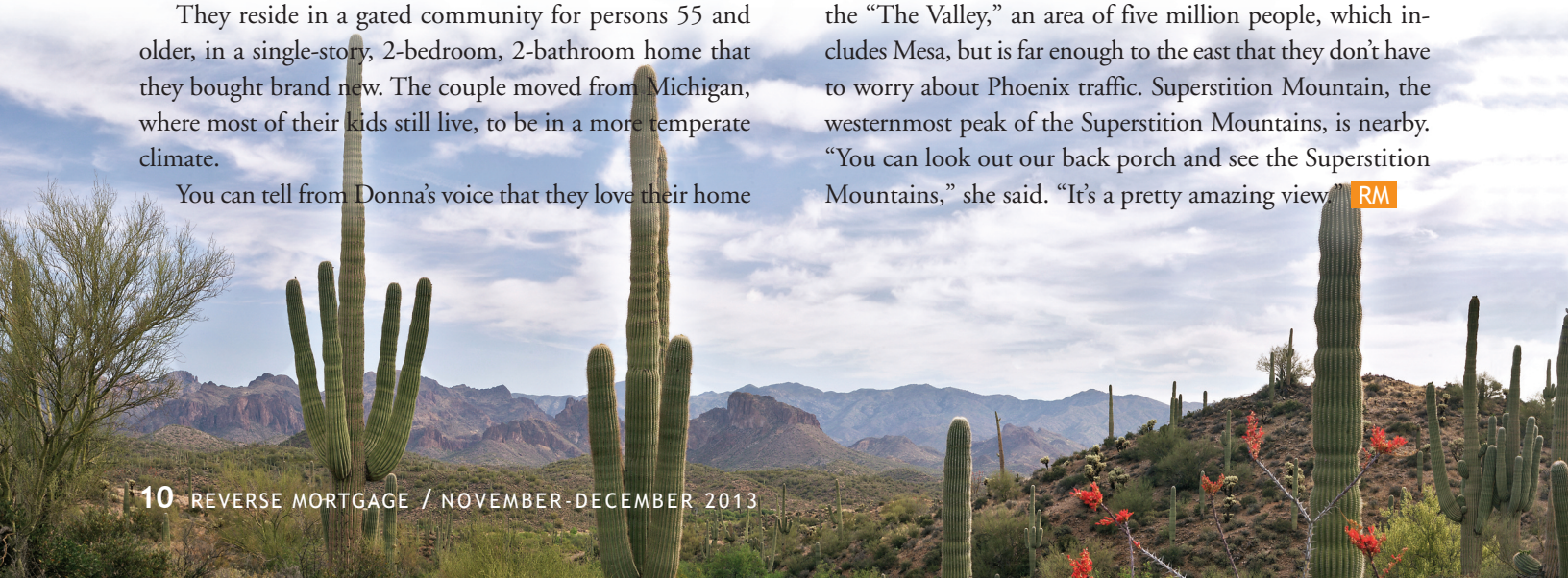
The couple contacted American Advisors Group and was eventually put in touch with reverse mortgage specialist Garrett Johnson.

Their home appraised for $200,000, which yielded enough funds to eliminate a $55,000 mortgage and some credit card debt, and still left $60,000, which was set-aside in a line of credit.

"What we like about the line of credit is that it grows if you don't use it," said Donna. "We are not the kind of people who will waste funds traveling around the world."

Donna said Mike is scheduled to have a hip replacement in a few months. If his insurance doesn't cover everything, the couple may use some of the funds in the line of credit to cover any unexpected cost overruns.

By eliminating their monthly mortgage payments, the reverse mortgage will enable the Hermansen's to continue living in the area they have fallen in love with for many years to come. Donna described Apache Junction as being part of the "The Valley," an area of five million people, which includes Mesa, but is far enough to the east that they don't have to worry about Phoenix traffic. Superstition Mountain, the westernmost peak of the Superstition Mountains, is nearby. "You can look out our back porch and see the Superstition Mountains," she said. "It's a pretty amazing view." RM



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* Since December 2011. Based on trailing 12 months' endorsement volume. Source: Reverse Market Insight.

President Obama signs the Reverse Mortgage Stabilization Act in the Oval Office surrounded by (l. to r.) FHA Commissioner Carol Galante, Congressman Mike Fitzpatrick, Congressman Denny Heck, NRMLA President & CEO Peter Bell and HUD Secretary Shaun Donovan.

Heck/Fitzpatrick

A Democrat and a Republican Join to Push the HECM Bill Through Congress

By Marty Bell

ONE'S A 61 YEAR OLD FRESHMAN IN CONGRESS FROM the far west, the other a 50 year old now in his third term from the east.

One first ran for and won state office at 24, but retired from politics by 34 to go into private business where he made his fortune as a digital entrepreneur, then ran again 25 years later. The other is a 50 year lawyer old by trade who first entered Congress at 42, lost his seat, battled colon cancer, then ran again and won.

One is a Democrat, the other a Republican.

What they share are childhoods in blue collar families in modest neighborhoods, a strong sense that the bipartisan divide in Congress is hurting people like those they grew up with, seats on the House Financial Services Committee, and now a bill to reform and protect the HECM program that before passing both houses and becoming the Reverse Mortgage Stabilization Act of 2013 was identified by both of their names—Heck and Fitzpatrick.

On their Facebook pages (as well as on visits to a recent meeting of the NRMLA Board of Directors in Washington), both Denny Heck (D-WAS) and Michael Fitzpatrick (R-PA) expressed the basis of their commitments to the HECM program as well as great pride in sponsoring successful bipartisan legislation in a divided Congress.

"It's still possible to get things done in Washington, D.C. if you're willing to reach across the aisle and focus on the substance of issues," Congressman Heck said.

"The winners here are senior citizens and bipartisanship. Thanks to bipartisan efforts in both chambers, the FHA can now act quickly to make necessary and common sense reforms to the federal reverse mortgage program. Hundreds of thousands of seniors currently utilize federal reverse mortgages, and the FHA will now be able to continue this useful program into the future," the Congressman continued.

"This common sense law increases consumer protection for seniors so they can retire on their own terms," Fitzpatrick wrote. His post was followed by the statement: "Only 22 bills

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have made it to the desk of President Obama for signature and one of them belongs to Congressman Mike Fitzpatrick."

"I'm a freshman in the minority who got a bipartisan bill through both houses," Heck told the Board. "I'm told that's only the second time that's happened in 20 years."

Coming Together

The effort to encourage legislation to provide the Department of Housing and Urban Development authority to alter the rules of the HECM program had been going on for three months when Heck and Fitzpatrick got involved. The need for change emerged in response to a HUD audit report issued in November 2012 that projected a $2.8 billion gap in the HECM section of the Mutual Mortgage Insurance Fund, which by statute must end each fiscal year net neutral. HUD had the authority to make such changes via the regulatory process, but history had warned them that regulation making could take as long as a couple of years. By that time the program could well have built up additional deficits and tried to patience of the harried group of legislators. HUD senior staff felt it was essential to cut the losses prior to the beginning of Fiscal Year 2014 (October 1, 2013) and NRMLA was committed to helping in that effort for the well being of its membership.

Early on, the activity was primarily on the Senate side where Robert Menendez (D-NJ) was crafting a bill. But on February 13 of this year, House Financial Services Committee chair, Jeb Hensarling (R-TX), organized a hearing on the future of the FHA with only one witness testifying—HUD Assistant Secretary/FHA Commissioner Carol Galante. During the hearing, representatives of the large committee came and went as their opportunities to speak arrived. Through it all, a first term representative from the state of Washington, Democrat Denny Heck, sat quietly listening and waiting to be called upon. On a 61-person committee, he was 61st in seniority, which meant his turn to speak would be last.

As the three hour hearing continued, Heck heard most of the questions he had prepared with his staff for Commissioner Galante asked by others. When finally called upon, he focused his questioning on the anticipated effect of the proposed changes on the HECM program.

Following the hearing, Maxine Waters, the Democratic ranking member of the committee, approached Heck and said to him, why don't you run with this issue. Heck's staff then tested the water with the committee staff to see if the chairman would accept such legislation. Word came back that he would and also that Representative Mike Fitzpatrick, Republican from Bucks County, Pennsylvania also had interest in the issue.

The Heck staff then met with NRMLA staff to learn more about the details and history of a program the Congressman was interested in but not that familiar with.

Then the two Congressmen contacted each other, agreed to collaborate and their staffs began to draft language for a bill. Their approach, as requested by Chairman Hensarling, was simple and quite narrow. We all often hear stories about thousand page bills that are voted upon without being read. But everyone would be able to read this bill. It was merely one sentence:

> "Subsection (h) of section 255 of the National Housing Act (12 U.S.C. 1715z-20(h)) is amended by adding at the end the following new paragraph: HUD can establish, by notice or mortgagee letter, any additional or alternative requirements that the Secretary, in the Secretary's discretion, determines are necessary to improve the fiscal safety and soundness of the program authorized by this section, which requirements shall take effect upon issuance."

Over the next few months, the bill went through the usual labyrinthine journey to the House floor. During this time, Menendez introduced his bill, co-sponsored by Kirsten Gillibrand (D-NY), in the Senate. The Menendez bill had its own language, more detailed and specific about some of the changes HUD proposed. But eventually the same language needs to pass through both houses for a bill to become law.

Give Congress Heck

At 24 years of age, Denny Heck, son of a truck driver and telephone operator, a Clark County resident and graduate of Evergreen State College in Olympia, Washington, inspired by a high school teacher who later went into politics and angered by the poor funding of the state's education system, was elected to the Washington State House of Representatives. He served five terms, rose to Majority Leader and then served as chief of staff to governor Booth Gardner.

But Heck's interests were too diverse to remain in one profession for too long. There were so many things he wanted to do and so many things, particularly education, that he was

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Heck/Fitzpatrick continued from page 13

concerned about. Assuming he was retired from politics in his mid-30s, Heck founded and became CEO of TVW, a Washington state version of C-Span, on which he also hosted a program called Inside Olympia.

Later on, the entrepreneur co-founded a company called Intrepid Living Solutions, that provided online education courses for businesses, and then another company called Digital Efficiency. He then invested in and served on the Board of RealNetworks, the company that invented internet streaming and produced a number of Washington State politicans, including Senator Maria Cantwell. RealNetwork provided Heck and his wife Paula with the financial security to seemingly retire in his late 50s.

Along the way Heck wrote a book called *Challenges and Opportunities: The Transition of Washington Schools* as well as a steamy detective novel called *The Enemy You Know* that can still be found on Amazon. He also wrote and performed a one man stage show, *Our Times*, in which he portrayed an 86 year old man looking back at the previous ten Presidents. In the show, his character says: "I realize I'm part liberal—someone with faith that government can serve. Alas, I also realize that I'm part conservative. It's often a good idea to think twice before adopting new ideas. There are almost always unintended consequences."

In 2008, Heck was sitting at dinner when he received a Tweet that Congressman Bob Baird of Washington's 3rd District was not going to run for re-election. Upset with divided government and thinking he could make a difference, Heck jumped into the race, which he lost to Jaime Herrara. But with the reapportioning of districts following the 2010 census, Heck found a new district, Washington's 10th, more suited to his viewpoints, and ran once again. The theme of this campaign was "Give Congress Heck!" which became popular in the region. He was determined to shake things up, to break the impasse. Running against a crowded field he said, "I'm the only practicing capitalist in this race. No one has to tell me that 70% of jobs are created by small business. I've done that."

Heck put $350,000 of his own money into the $2 million campaign and won over 58% of the vote against opponent Richard Muri.

Long Term Commitment to Seniors

Mike Fitzpatrick grew up in Levittown, the innovative community built by the Levitt Brothers following Word War II to provide returning veterans with homes they could afford on GI loans. He still lives in Levittown where many of the homes that were once all the same have been considerably renovated to take on their own personality. After graduating from St. Thomas University in Florida and getting his law degree at Penn State, Fitzpatrick returned to Bucks County and went to work at an influential local law firm.

Bucks County, home to many blue collar workers as well as the Amish, progresses at its own pace. Among its remnants of previous eras is old-fashioned machine politics and with the local GOP tightly run by "boss" Harry Fawkes for 40 years before his passing this March. The law firm Fitzpatrick worked for had a long co-supportive relationship with Fawkes, and when a member of the Board of Commissioners left to become Lieutenant Governor, Fawkes handpicked the 33 year old Fitzpatrick to replace him.

In 2004, popular Republican representative Jim Greenwood opted not to run again in Pennsylvania's 8th Congressional District, and once again Harry Fawkes handpicked Mike Fitzpatrick to replace him. Fitzpatrick defeated Virginia Schrader with 56% of the vote. Then in 2006, he found himself in a neck and neck race with Iraqi war vet Patrick Murphy, which Fitzpatrick lost by less than one per cent of the 250,000 votes cast.

Fitzpatrick then thought perhaps his focus on local issues was more appropriate for state politics and planned to run for the state House in 2007, until he was diagnosed with colon cancer. Two years of radiation and chemotherapy treatments altered many things in his perception of life, including reigniting his urge to serve. And in 2010 he defeated Murphy and returned to Congress.

This past year, Fitzpatrick was honored by the Pennsylvania Grange with their Champion of Seniors Award. The citation and resulting press coverage all acknowledged his staunch advocacy for ensuring seniors access to affordable medications, expansive access to health care for Medicare beneficiaries and his sponsorship of the Reverse Mortgage Stabilization Act. Ten percent of Pennsylvania's reverse mortgages are held by Bucks County residents.

"Before I got into politics, I got to see the financial struggles of many senior clients at my law practice," Fitzpatrick said. "So many seniors in our district have highly valued property but don't have money for day to day necessities." From early in his

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first term, Fitzpatrick has been one of the most vocal supporters of the HECM programs among the Republican caucus. And when Denny Heck was searching for a legislative partner across the aisle, Fitzpatrick was the go-to guy.

The Payoff

The strategy in the House was to pass this bill via a procedure known as Unanimous Consent under which voting rules are suspended. On July 12, the bill was placed on the house floor by Brad Sherman (D-CA) for 40 minutes of discussion and then passed without an actual vote. In order to facilitate matters and avoid a Senate-House conference to resolve differences, thus causing further delay as the October 1 deadline approached, Senator Menendez graciously agreed to go along with the language that had passed the House. On July 29, at 8:10 PM, Senator Richard Blumenthal brought the bill to the floor requesting suspension of rules and the Reverse Mortgage Stabilization Act of 2013 passed again by unanimous consent.

A few weeks later, Heck and Fitzgerald were invited to the Oval Office of the White House, along with HUD Secretary Shaun Donovan, FHA Commissioner Carol Galante and NRMLA President & CEO Peter Bell, to witness the signing of the bill by the President.

"Frankly it was a bit surreal," Heck said. "On my way out, just to make sure, I turned to one of the White House staff people and asked: 'Now that was the actual, real Oval Office, right?'" RM

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Extreme Summit: 300,000 Loans Per Year by 2018

NRMLA members launch a comprehensive, industry-wide effort

By Marty Bell

"LESS THAN 1% PENETRATION, WE'RE FAILING." You can hear Otto Kumbar saying this to just about anyone in the reverse mortgage industry who will listen. His math is simple: 50,000 annual industry units and 20,000,000 property qualified, age qualified AND equity qualified households equals 0.0025 percent penetration. He always emphasizes the "AND" as if to demand, "Why aren't we helping these seniors?"

"Seniors who have the product love it," Kumbar asserts, "Many originators have high satisfaction rates and incredible stories of how they've changed lives. Most of the people in the industry are here to help seniors. Unfortunately, we've allowed others to distort the facts and only seniors who don't understand the product don't like it." So Kumbar, CEO of Liberty Home Equity Solutions, has offered a challenge to us all: fight back with the truth, get in the game.

What started as a simple brainstorming session at last year's NRMLA Annual Meeting has turned into an industry-wide effort to move the needle of annual volume from 50,000 to 300,000 loans per year by 2018. "We're calling it Extreme Summit to acknowledge that it's going to be hard work to drive volume up, but also recognize the thrill and reward of accomplishing a difficult task," Kumbar says. The effort is launching its first pilot programs at NRMLA in 2013.

Otto Kumbar

"There has been no initiative focused on why volume went from over 100,000 loans to 50,000," Kumbar says. "There hasn't been a plan people can get behind and see success. So I decided to plot to find the best plan with the highest return for the lowest cost for the good of the entire industry."

The Birth of a Turnaround

The initiative began with an open session on the last morning of last year's industry gathering in San Antonio in which a standing room only crowd of brokers, lenders, servicers, loan officers and vendors spent the first hour tossing out opinions about why the industry was not growing ("Loan of

***Extreme Summit** continued on page 20*

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Extreme Summit continued from page 18

last resort reputation," "Documentation is intimidating," "Big player exits make people think there's something wrong," "Too many bad actors") and the second hour suggesting possible solutions ("Attract better sales talent and train them better," "Change the conversation from a product of need to one of planning," "Simplify documentation", and "Hold this kind of session with our critics.")

Equipped with the takeaways from that morning, a small team from NRMLA and Liberty started to assemble a plan. They followed up the session with surveys to NRMLA members to prioritize the ideas. In February of this year, in conjunction with a NRMLA Board of Directors meeting in Washington, the biggest issuers gathered to digest the ideas and formulate a plan. "I wanted to include everyone, but had to start with people who could write $1 million checks to get this off the ground," Kumbar said. The CEO's digested and debated a powerpoint outlining nine initiatives to alter the conversation, including calling for a 3:1 ratio of positive to negative press coverage, engaging a force of identifiable thought leaders, funding market research and exploring a national marketing and re-branding campaign.

They also developed some guiding principles behind the Extreme Summit including:

- Supplement NRMLA efforts. Don't take over things already being done.
- Experiment! Acknowledge we don't know what will work and run pilots
- Set target and measure results. Once something works scale it up
- Leverage all industry assets, especially local lenders & brokers
- Seek outside expertise and take control of the story

Finally the CEO's estimated the investment they would be willing to make to achieve the growth targets. "This was the most thrilling part of the meeting," Kumbar says. "In a secret ballot, everyone in the room said they were willing to make a $30-$150 million commitment over 5 years. Better still, we went around the table and every CEO said they were willing to make a $1 million year commitment for 5 years … for the right plan."

Averting Irrelevance

Otto Kumbar grew up in the Jack Welch-created culture at GE where the only goal was "Get results!" The child of parents who packed up their family and moved them out of the Czech Republic following the Russian invasion in 1968 and to the outskirts of Chicago, where his father worked as a electrician and his mother for AT&T and also built homes, Kumbar studied computer science at Rensselear Polytechinic Institute in Troy, New York where he was recruited to work for GE upon graduation. He spent 23 years there before moving with the sale of the Insurance Division to Genworth Financial in 2005. At GE and Genworth, he served primarily as a *fixer*, managing it's European MI division, it's Australian MI company and Genworth's Latin American operations. In 2010, he worked with then-President Pete Engelken to get Genworth's reverse mortgage program on firm footing. And when Engelken left late last year to pursue another venture, Kumbar assumed full daily leadership.

Kumbar, who shies away from personal attention, played a low-key role in our industry until the government made it clear that the status quo will lead to "irrelevance." Then he stood up in front of the membership in San Antonio to turn ideas into plans and become a cheerleader for the industry.

Developing the Plan

Kumbar initiated the effort by presenting nine unique ideas that emerged from the San Antonio skull session and scored out as having the highest impact for the least effort. Each needed to be turned into a "business plan" with a demonstrated Return on Investment (ROI). The most expensive and complex idea was a "re-wrap" of the product. A product name change was considered, but experts assessed that cost into the hundreds of millions, so keeping the name "Reverse Mortgage," but reframing it became the approach. Requests for proposals on the re-wrap were sent to a dozen advertising and public relations firms, and Liberty funded an effort to flush out the top ideas. Eight responded by Memorial Day with their assessment of the industry's predicament and their strategic approach to altering it. Four were chosen as finalists and invited to prepare creative materials and present their campaigns to the group.

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In June, representatives of AAG, Generation, Liberty, RMS, Urban and the new RMF, as well as NRMLA senior staff, gathered in a conference room at NRMLA's Washington headquarters as an audience for the four presentations. It was a head-spinning day of smart creative ideas; the approaches and themes that seemed to run through the perceptions of all the ad creators were closing the misconception gap, shifting the focus from a "needs'-based" audience to a "want-based" audience, positioning the product as a financial planning tool with a laser focus on the promise of the future rather than on aging persons' limitations and fears. Though not a part of the thinking a year ago when this effort was conceived, the approaches coincidentally now fit with and are supported by the changes to the HECM program being implemented by HUD between now and early next year (as explained in other stories throughout this issue).

What we were looking for from the vendors was a two to three city *proof of concept* or pilot program in the first quarter of 2014 with a modest time window and specific metrics to measure results, an absolute necessity to Kumbar for any effort. The pilot would likely include television advertising, print ads, social media and a public relations push, a model we would test in a couple of American markets and then be able to duplicate nationally.

In addition to the joint effort, the intent was to create collateral materials—logos, ads, educational brochures, etc.—that could be utilized by NRMLA members on their own websites and in their own marketing materials to expand the effort's bandwidth and present a single, shared, unified message.

As conversations about cost and strategy continued with the agencies who were finalists, and a fifth agency joined the competition, Kumbar continued to push participants to refine and clarify the other aspects of the program: honing in on strategies to be executed by NRMLA staff to alter the conversation in the press by expanding the breadth of our outreach and to provide valuable data to prove the value of the program by assigning new research to both academics and private polling firms. Meanwhile, individual firms would be asked to participate in a Geo-targeting effort to boost volume by concentrating on highest opportunity zip codes identified by data compiled with the support of Reverse Market Insight.

"We'll never win over the 'planning' consumers when media outlets are unanswered in their criticism of the product," Kumbar opines. "NRMLA has done an incredible job of defense for the resources available, but we'll never win the game on defense only."

Several large industry firms including Urban, RMS, Liberty and AAG (at time of writing) have stepped up to fund NRMLA for an incremental $500,000 per year to develop a public relations campaign with a goal of generating three positive impressions for every negative impression. Imbedded in this program is significant research efforts to help guide marketing and policy efforts.

"To date, we have not been telling our own story loudly enough," Kumbar says. "And this has left room for others to define what we are for their own purposes."

A team of industry marketing executives including Teague McGrath of AAG, Jean Noble of Urban, Mary Smith of Liberty and me on behalf of NRMLA was asked to flush out a detailed pilot program and select an agency to execute it. RadarWorks of Seattle and Los Angeles has been selected as our marketing partner. The pilot program was good enough to secure initial funding from AAG, Liberty, RMS and Urban (at time of writing). There are many other firms also considering contributions.

Some of the details of the Extreme Summit and the RadarWorks plan will be presented at NRMLA's Annual Meeting & Expo on November 4-6 in New Orleans followed by another open idea exchange session in which all members are invited to participate.

"Now that we will have a plan in place, we are about to expand this effort to the entire membership," Kumbar says.

Members can contribute to the effort by:

1. Generating additional ideas on how to increase volume;
2. Helping enhance the plan;
3. Participating in the use of the materials provided to help execute the plan;
4. Providing what they can to finance the Extreme Summit actions.

"I don't see any other option but for us to do this, do it now and do it in a big way," Kumbar says. "Control your own destiny or someone else will." RM

The Originator's Page

IROC: A Chance for Small Businesses to Share

By Mark Browning

A LARGE CONTINGENT OF THE NRMLA MEMBERSHIP is comprised of small Independent Reverse Mortgage Origination Companies. The challenges of small business ownership, particularly in the current climate for housing finance, are significant and diverse. Regulations and rules are constantly shifting. The complexity of interpreting these rules as well as the costs of compliance, are mushrooming. The product design and lineup has been in motion since the housing bubble. Marketing methods are evolving as the reverse mortgage product and distribution system continues its uneven evolution. The entire complexion of the industry was altered when the FHA administratively stripped the credentials and identity of a large swath of Independent Reverse Origination Companies with its decision to eliminate the FHA Correspondent Mortgagee category in 2010.

The challenges of running a small business that is devoted to consumers and product delivery are different from larger, vertically integrated structures. A unique challenge is the information vacuum that results from small size itself and the shortage of thought diversity. The "water cooler" conversation that occurs naturally in larger organizations does not exist – "did you hear about this or that?" "What is your opinion?" "Is this a big deal or not?" "What does the future bring?" "Should we divide the work and advance the issue?" "What works?" "What doesn't?" "Whadda you think about that guy!?"

A couple of years ago, in the thick of another onslaught of change a group of five small business owners, widely diversified across the country, began talking periodically about the ever shifting sands and the implications for our individual companies (Rob Wyatt, Lady Lake FL; Mario Martirano, White Plains, NY; George Downey, Boston MA: Jim Cory, San Diego, CA; Mark Browning, Rochester, NY.)

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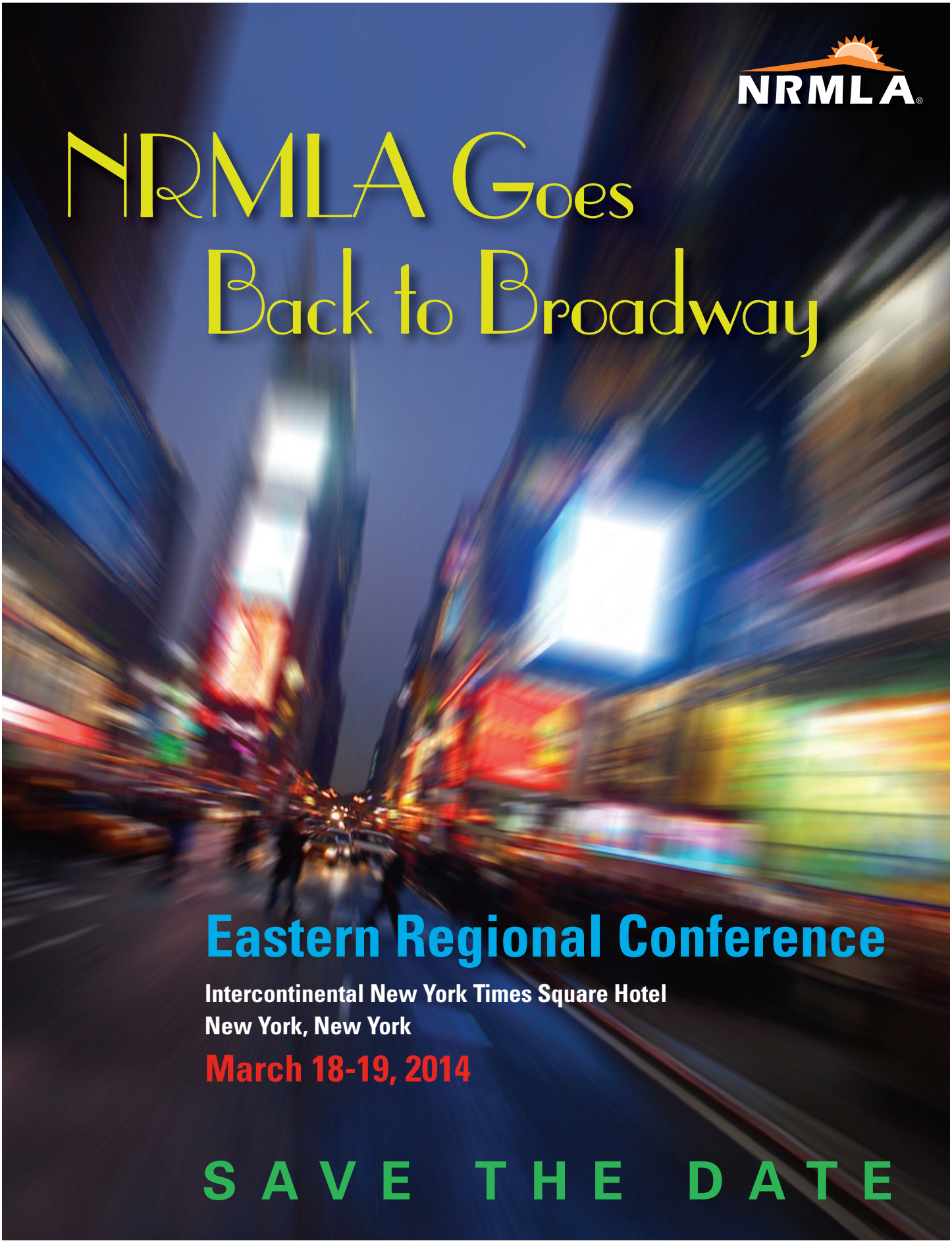
It was a business networking group born from necessity.

As issues evolved, the forum provided a sounding board for our common thoughts and the means to discuss the implications for the industry. The thoughts are shared with the unique perspective and the passion of small business owners. We have shared ideas for complying with new rules and regulations, ideas that worked, ideas that didn't, common problems and strategies to resolve issues related to the facts of a case scenario. In certain instances, we have shared the costs and burdens of regulatory compliance by chipping in on legal fees. The discussions are informal and hugely informative. As a group, we have benefited enormously from holding regularly scheduled calls to discuss issues of mutual interest. As a natural progression, the group began sharing ideas, thoughts and concerns by email as one might with a colleague in a larger business.

More than a year ago, the network expanded. New folks joined the conversation, added fresh perspectives, ideas and thoughts. As the early group was beneficial, the wider network was even more beneficial. All of us have benefited from the wider talents, perspectives and experiences of our new larger business group. Imaginatively, the group named itself "IROC" – after the business function – Independent Reverse Origination Companies. The benefits of participating in an informal town hall style gathering with individuals of common interest and background have been so fulfilling to our businesses, we decided to grow and share the group.

Recognizing the importance of Independent Reverse Origination Companies to the industry as well as local communities, this year NRMLA is presenting a session at its annual conference in New Orleans to acquaint small business owners with the IROC Network. The concept and activities of IROC will be described in greater detail and interest gauged for expanding the network further. IROC is unique because its focus is oriented exclusively on the concerns of the small business ownership in the reverse mortgage sector. It is not an originations forum, it is a business management resource.

We hope you can join the conversation! RM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Member News

LRES Opens Operations Facility in Phoenix

LRES, a national provider of commercial and residential valuations and asset management for the mortgage, banking, credit union and real estate industries, announced it has opened an operations facility in Phoenix to accommodate continued growth while also serving as a key component of the company's disaster recovery plan. The new site manages the company's entire vendor management operations and conducts professional appraisal reviews. Staff field appraisers operate out of the new location as well, and eventually the order management staff will work in the Phoenix office too. The new facility supports LRES' business continuity plan by serving as a back-up site in the event that LRES' Orange County headquarters experiences a power outage so that full service levels remain in place. The company also looks forward to tapping into the supply of mortgage industry talent located in the Phoenix area.

RMF Expands Its Operations

Reverse Mortgage Funding LLC opened its second office in Melville, N.Y. RMF President **David Peskin** will lead the office, which opened officially September 13th. Heading the fulfillment team will be **Colleen Pirraglia**, formerly an underwriting and fulfillment manager in the Reverse Mortgage Division at MetLife. The third-party origination sales team will be led by **Michael Mooney**, also formerly of MetLife's Home Loan's Division. Both Pirraglia and Mooney have been with RMF since it opened its doors earlier this year on August 1st. "Right now, we have an incredible staff made up of many former colleagues. We're currently accepting applications for additional sales and operations professionals," said Peskin. "We are very happy with our growth and look forward to recruiting new members."

Rosynek Promoted to SVP of Marketing/Communications at RMS

Ralph Rosynek has been promoted to Senior Vice President and Director of Marketing and Communications at Reverse Mortgage Solutions. Rosynek will oversee marketing and communications across all lending and corporate divisions, which includes social media, branding, advertising and continuing education. He joined RMS in February 2010 as SVP of Business Production, which included building wholesale and correspondent business. He is a member of the NRMLA Board and a seasoned HECM DE Underwriter.

MSI Reverse Hires DeWolf, Eyes Growth Nationwide

MSI Reverse, a division of Oak Brook, Illinois-based Mortgage Services III, has announced expansion efforts including the new hire of **Kelly DeWolf** as area sales manager as well as originators in California, Colorado and Wisconsin.

DeWolf has worked previously for MetLife Bank and Wells Fargo with experience both as an originator and sales manager. He is tasked with growing MSI Reverse's presence across the Great Plaines and Western territories.

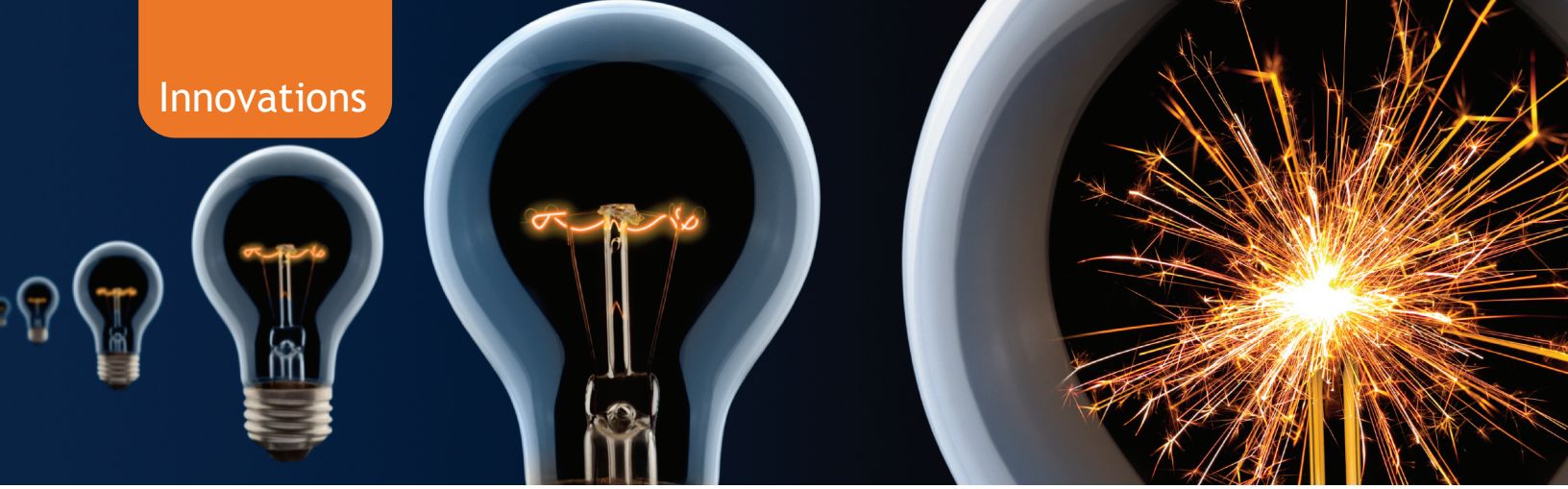
"The addition of Kelly Dewolf to the MSI Reverse team is another example of MSI Reverse's ability to attract top reverse mortgage professionals by providing the stability of a bank-owned platform combined with outstanding support tools and the ability to lend in over 40 states," said David Cesario, National Sales and Production Manager at MSI Reverse.

The addition of several new originators are part of the company's strategic growth plans, in targeting specific markets nationwide.

"As part of MSI Reverse's strategic growth initiative, we will continue to build our team with the right reverse mortgage professionals in key markets," Cesario said. "Those who come to understand the power that our lending platform provides will enjoy enhanced and expanded opportunities to grow their businesses. We project our next growth areas to be in the South and Southeast areas of the country."

Norman Working Hard to Get H4P in Texas

Scott Norman, Vice President of the Reverse Mortgage Division at Sente Mortgage, based in Austin, TX, has spent his entire year working to get HECM for Purchase approved in Texas. Through his efforts, the Texas legislature overwhelmingly passed a joint resolution in May that put HECM for Purchase on the November 5 ballot. At the annual Reverse Mortgage Day of Texas event held in early September, the Texans for Prop 5 Campaign had its formal kick-off. Since then, Norman has spent the bulk of his free time advocating for Proposition 5 and seeking endorsements. As Reverse Mortgage magazine went to press, the Dallas Morning News and San Antonio Express-News had just endorsed Proposition 5, adding to a list that already include the Texas Association of Realtors, the Texas Land Title Association and the Texas Mortgage Bankers Association. Proposition 5 would also amend the Texas Constitution and require borrowers to be given a detailed disclosure twelve (12) days prior to closing that clearly and conspicuously informs them of situations where foreclosure can occur. Anyone can follow the latest campaign news on Twitter or Facebook by searching for Texans For Prop 5. RM



The New Era Is Here

By Shannon Hicks

IT WAS THE END OF AN ERA AND THE BEGINNING of the modern HECM age. Much like the division of the epochs BC and AD, reverse mortgage professionals will look back on October 1, 2013 as a historic milestone. HUD eliminated the aged Standard HECM and its newer cousin the Saver replacing both with one loan product. In addition to the divesting of previous loan options, the financial assessment of borrowers and the lower principal limit factors (lending ratios), we now have a first year distribution limit.

In its endeavor to stem the trend of loan balances ballooning in the early years of a Home Equity Conversion Mortgage, or risk borrowers exhausting all proceeds prematurely, HUD enacted restrictions on what percentage of funds can be used in the first year from closing.

Here's a brief summary of the Initial Disbursement Limit:

- Borrowers are limited to using 60% of the Gross Principal Limit in the first 12 months after closing.
- Borrowers whose mandatory obligations (existing mortgage payoff, upfront MIP, set asides and financed closing costs) exceed 50% of the Principal Limit can take an additional 10% of the Principal Limit Amount.
- Those who exceed the 60% first year disbursement will pay a higher upfront mortgage insurance premium (2.5%) versus the lower .5% charge for those below 60%.

Acceptance & Pragmatism:

Sir Winston Churchill said "To improve is to change; to be perfect is to change often." Churchill would have been well suited for reverse mortgage lending. The HECM program was long overdue for change in the wake of mounting projected losses to the insurance fund which backs the loans. As political pressure mounted some proposed eliminating the program altogether while others called for reform. Dean Jones with Senior Funding Associates in San Diego, California remarked, "If these changes were not implemented then what? Once we embrace acceptance we can move forward to adjusting and then learning to thrive in a new marketplace."

Pragmatism will be a vital trait for those who wish to continue as reverse mortgage professionals. HUD now has the authority to tweak the HECM program as needed with future mortgagee letters. In other words, the program can be quickly adapted to respond to market and economic conditions insuring its long term viability. HUD has not only moved the program closer to its original intent of providing a long term solution to aging in place but also created a more robust product.

A Bigger Pie

"I want a bigger pie, not just a bigger piece of the pie," said Michael Kent, President of Lending for Reverse Mortgage Solutions. The HECM program has lingered at 2% market penetration of eligible homeowners for several years. Either we accept our present market share hoping for more eligible homeowners or expand our borrower demographic. "We are going to have to rethink who our customer is," says Kent. Despite the 60% utilization cap, the reverse mortgage is now poised to reach even a broader market. The new product design encourages borrowers to set aside more money to fund the future demands of aging after retiring existing mortgage debt. Contrast this with the formerly fash-

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ionable Standard Fixed Rate which required a full lump sum distribution of 100% of the Principal Limit. With borrower demographics shifting to younger ages loan balances were poised to balloon quickly increasing the risk of balances exceeding the home value when the loan terminated.

The new HECM's two tiered upfront FHA insurance pricing and generous line of credit makes it a great tool for financial advisors. Many homeowners learned quickly that home equity lines of credit are not always a trustworthy source of funds. In 2008, many had their lines of credit reduced, frozen or outright closed as home values plummeted. Contrast this with the HECM's line of credit. "What other product allows you to lock in your line of credit, guarantee growth and turn it on later?" said Kent. This is an attractive centerpiece in retirement planning. Many investment products offer optional guaranteed growth riders which consumers may purchase to generate predictable income in the future. The HECM borrower's insurance premiums purchase the guarantee that the current terms and conditions of the HECM will be honored under all economic conditions and that there will be growth in the line of credit. These attractive features coupled with an ever growing population of retiring homeowners opens the door to increase not only our market share but the overall pool of potential borrowers.

The Word on The Street

Securitization is an integral but often overlooked facet of our industry. Reverse mortgage loans are pooled in a group and sold as HECM Mortgage Backed Securities or HMBS to investors. When it comes to the new HECM, product pricing is anticipated to be marginally less than the Standard LIBOR product. Michael Kent who works closely with secondary market investors said, "Investors are still modeling out the new product pricing" and added "initial reports are that they are not overly concerned with the change." Past products like the Saver and Standard Fixed were successfully priced shortly after their introduction and the same will apply for the new HECM. With stabilizing home values and a clear direction for the HECM program some are showing interest in developing a proprietary reverse mortgage loan, yet another sign of the improving health of the reverse mortgage.

Moving Forward

Now that framework of the new HECM has been erected we can move forward. By limiting first year disbursements HUD has helped guarantee the future growth of unused proceeds for many borrowers. They have also given us a new product with solid economics to meet the demands of retiring baby boomers. In light of the new first year distribution limit Dean Jones says, "It's time to work both harder and smarter. If you saw 10 people a week, see 13. If you have one lunch a week with referral partners have two. We have a long ways to go in educating and informing the public on the benefits and potential the reverse mortgage holds." With change comes opportunity. The opportunity to retool our marketing plan, revamp our business plan to expand into new markets. The new era of reverse mortgage has come. RM

HUD has not only moved the program closer to its original intent of providing a long term solution to aging in place but also created a more robust product.

Checking the HECM Fusion

By Atare Agbamu

FINANCIAL PRODUCTS COME WITH STRENGTHS AND weaknesses. The HECM Traditional (or HECM Fusion as we call it here) is no exception.

About two weeks on the market at this writing, it may be too early to gauge its impact on borrowers, lenders, FHA, and investors. Yet we set out to find out what some industry members consider the pluses and minuses of the fusion of the former HECM Saver and HECM standard.

Reflecting a Wall Street angle, Michael McCully, partner at NewView Advisors, sees no "material change in the inherent value" of HECM Mortgage-Backed Securities (HMBS). He believes the longer duration associated with lower loan-to-value products such as the Fusion "slightly enhances the value of HMBS."

If loan limits come down to the Fannie Mae limits of $417,000, McCully thinks the Fusion could spark a rebirth of proprietary reverse mortgage products. At this writing, Generation Mortgage Company's *Generation Plus* is the only private product in the market.

And like many industry and non-industry thought leaders, he says the Fusion's greatest strength rests in its potential to make the HECM program sustainable for generations of seniors.

On the minus side, McCully expects "a drop in profitability" because of the fall in both "dollar and unit volume. Short term, he says the changes create disorientation and uncertainty.

Change fatigue aside, Paul Franklin (manager) and David Heilman, CRMP (branch manager) at Franklin Funding (Charleston, SC), admit that the Fusion's overriding strength is that it ensures the program's survival.

Another advantage they see is the Fusion's appeal as a "viable tool in retirement planning for financial planners" when loan draws remain under 60 percent and the line-of-credit option is used.

Franklin and Heilman agree that the Fusion will spur competition in private reverse mortgages and create choices, adding that "Choices are good!"

And with financial assessment in January 2014, they view extra consumer safeguards that will "help both borrower and lender determine whether a reverse mortgage is appropriate for their situation" as pluses.

And like many industry and non-industry thought leaders, he says the Fusion's greatest strength rests in its potential to make the HECM program sustainable for generations of seniors.

A highly-regarded reverse-mortgage broker for more than 12 years until two years ago when it became a lender, Franklin Funding understands the economics of reverse-mortgage brokering. Heilman suggests that new regulatory changes, compliance regime, and reporting requirements could encourage many brokers to make the transition to lenders or partner with strong lenders as correspondents.

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One of the most astute practitioners and students of HECM in the industry, Franklin says the Fusion's biggest weakness is the "program's retreat from seniors who live on just social security or on limited fixed income." The pull-back, he contends, makes the HECM program "more vulnerable to attacks" from policymakers and consumer advocates on both left and right of the political spectrum.

If reducing complexity was a reason for the HECM Fusion, then, at least for one Twin-Cities-based HECM counselor who prefers anonymity, that purpose is a work-in-progress, especially with new confusing rules and concepts and costs around principal-limit draws at 60 percent, above 60 percent, and below 60 percent.

"Gosh! First-year draw restrictions, mandatory obligations, 60-percent draw, above 60-percent draw, below 60-percent draw and the different costs; it is confusing to me much less to seniors," says the counselor.

"I am still trying to refine how I am going to explain it to seniors. It is going to take me a while, and I think it is going to stretch the capacity of seniors to absorb," the counselor adds.

This counselor admits he has struggled through two counseling sessions since the Fusion's October 1 debut. He accepts that the more counseling sessions he completes the better his understanding of the new product will be, but he adds: "I want to be at the top of my game for the first one. I hope we'll get more opportunity for training."

While observing correctly that it is too early to tell how easy or challenging it will be for counselors to explain (and for seniors to understand) the Fusion, Amy Ford, director of reverse mortgage counseling at National Council on Aging (NCOA), thinks HECM counselors can explain the Fusion when they use "all the counseling tools available to them, including the financial interview tool (FIT)." And she agrees that HECM is moving away from a "crisis management to a financial planning loan."

As they say, the jury is still out on the HECM Fusion's impact on borrowers, on lenders, on FHA, and on investors. Could the Fusion's strengths dwarf its weaknesses in the long run? Time and experience will tell. RM

Who's Who in Reverse Mortgages

Profiles of NRMLA Member Companies

Bay Docs, Inc.

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

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

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

Generation Mortgage Company

Generation Mortgage Company is a fully accredited, full-service home equity conversion mortgage provider, offering a complete range of competitive FHA-insured home equity conversion mortgage products. At Generation, we are dedicated to the conversion mortgage industry and have been leading the way with a progressive view of the value of utilizing home equity and the liquidity it can provide. We are helping people discover a new perspective on funding the future.

We put our experience and deep knowledge to use with total support from sales and origination through servicing. We have more than 34,000 loans in servicing, with a total portfolio of over $5.7 billion. It is not just our deep experience in the industry that sets us apart. Our responsive and knowledgeable customer service team is ready to provide top-notch service, nationwide.

Generation has developed the tools needed to help plan strategies for optimal use of home equity. Our patent-pending nu62℠ software is the *only* financial tool of its kind that can quickly and easily demonstrate the power of using untapped home equity to create additional cash flow or future options to support a better retirement.

For more information about Generation and the services we offer, contact Nancy Armour at 877-741-9071, or nancy.armour@generationmortgage.com.

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

Liberty Home Equity Solutions

For nearly a decade, Liberty Home Equity Solutions, Inc. (formerly known as Genworth Financial Home Equity Access, 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

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lives of over 25,000 clients since 2003 while providing education and lending solutions to over 1,000 business partners across the U.S.

www.libertyhomeequity.com
For career opportunities call (916) 384-1853
For wholesale opportunities call (866) 871-1353

Moneyhouse

Moneyhouse is a family-owned company that focuses on providing distinguished, personalized service to each and every one of our clients. Our mission is simple: Help seniors and their families continue to live safely and financially secure in their homes through the benefits of a reverse mortgage. Moneyhouse is a proud member and of supporter of NRMLA. One House, One Team One Goal…Moneyhouse

Visit us at: www.moneyhouseus.com
Email us at: bcurley@moneyhouseus.com
Or call: Bud Curley 918-829-6322

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: (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

Take Charge America

For 25 years, Take Charge America has been committed to helping people around the country improve their financial futures. Since introducing HECM Counseling in 2010, we have assisted thousands of senior homeowners review their loan options and understand the reverse mortgage loan process. We take pride in providing education and resources to each and every homeowner.

We are HUD- approved to provide reverse mortgage, prepurchase and foreclosure prevention counseling. Additional services include credit counseling, student loan counseling and debt management. Since 1987, we have helped more than 1.6 million consumers nationwide manage personal finances and debts.

Counseling may be conducted in person or over the phone.

Contact: Shanna Harvey • Phone Number: 1-866-750-9618
Email: sharvey@takechargeamerica.org
Website: www.takechargeamerica.org

Urban Financial

Urban Financial Group is a lender specializing in reverse mortgages and ranks among the top originators in the United States. Our retail division is licensed in 43 states, and our wholesale operation is licensed in 42 states and Puerto Rico. Urban acts as a direct originator and purchaser of whole loans through our third-party originator channel, and is one of the largest issuers of GNMA securities. Every day, we find innovative ways to serve our clients through the insight of our people and the strength of our technology. We consistently refine our process to ensure that all loans are closed accurately, quickly, and above all — ethically. Fundamental values guide our business practices: commitment, motivation, integrity, simplicity, flexibility, focus and versatility. Through these values we earn and keep the trust of our clients.

www.urbanfinancialgroup.com • www.ufgwholesale.com
Career Opportunities: (888) 622-2073 or recruiting@urbanfinancialgroup.com
Wholesale Division: Sherry Apany, Managing Director, sapanay@urbanfinancialgroup.com or 855-77-URBAN RM

Ethical Considerations Affecting HECM MIP Premium Decisions

The following examples help illustrate how the upfront MIP can change dramatically if the total initial loan disbursement exceeds 60 percent of the principal limit. Members are encouraged to review Ethics Advisory Opinion 2013-4 to better understand their ethical obligations when explaining these issues to clients.

BORROWER #1

200,000 Home Value

68 Age of youngest borrower

5.00% Interest rate

0.554 Principal limit factor

$110,800 Initial principal limit

$56,000 Mandatory obligations

$66,480 Sixty percent (60) of 12-month distribution limit

$11,080 Additional **10%** cash to borrower

$67,080 Total initial draw

61% Initial draw as percent of Initial Principal Limit

→ **2.5%**
$5,000
Initial MIP

BORROWER #2

200,000 Home Value

68 Age of youngest borrower

5.00% Interest rate

0.554 Principal limit factor

$110,800 Initial principal limit

$56,000 Mandatory obligations

$66,480 Sixty percent (60) of 12-month distribution limit

$9,972 Additional **9%** cash to borrower

$65,972 Total initial draw

60% Initial draw as percent of Initial Principal Limit

→ **0.5%**
$1,000
Initial MIP

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ONE GOAL.

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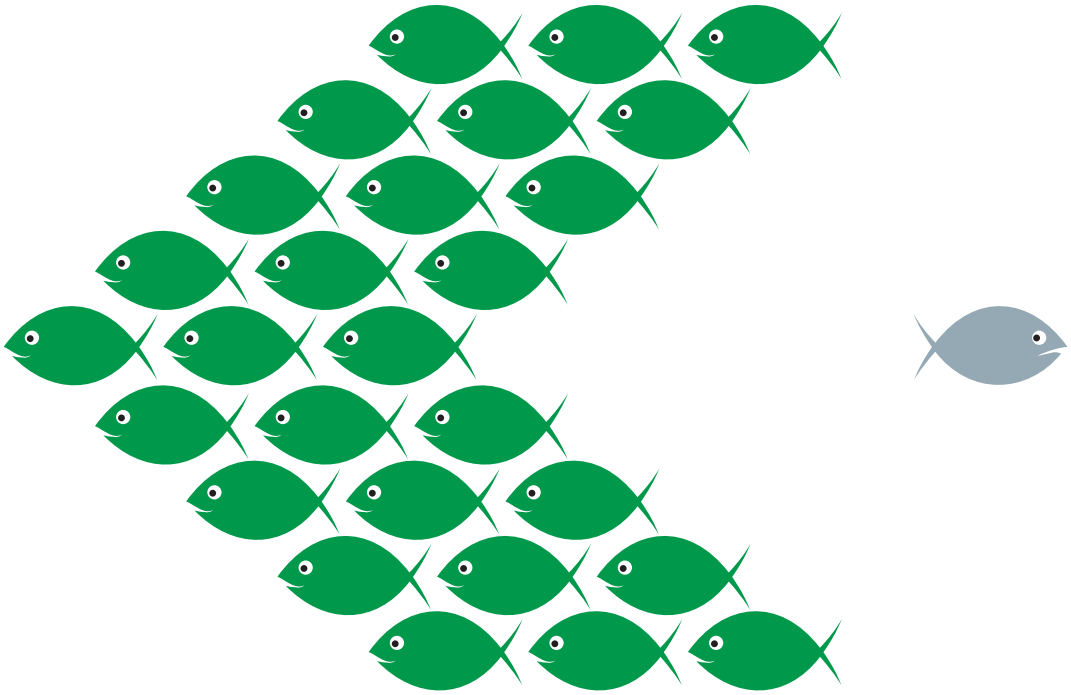

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