November-December 2019
Volume 12, No. 6

Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association

Peering Into 2020

Industry leaders offer insights on trends and discuss the future for HECMs

NRMLA

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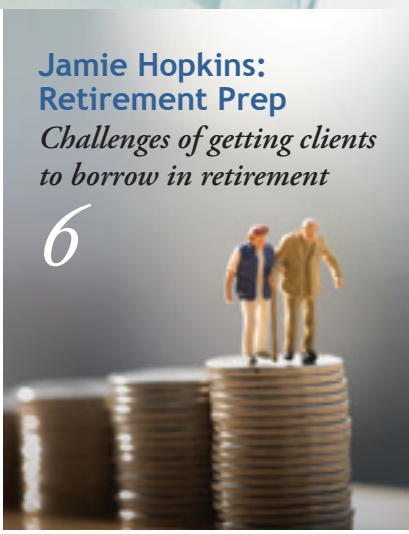
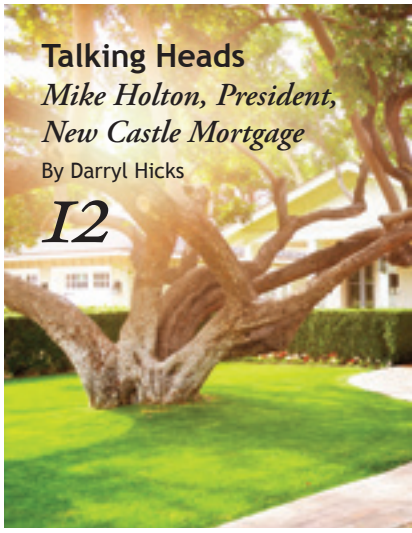
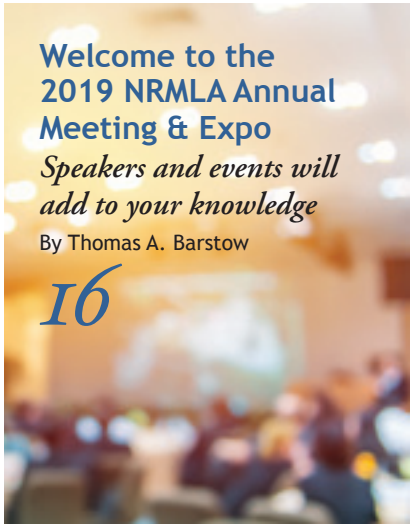
Columns

Monthly Features







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Meet This Month's Contributors

Thomas A. Barstow (*In Reverse*, page 3, *Welcome to the 2019 NRMLA Annual Meeting & Expo*, page 16 and *HECM Markets: A Region-by-Region Look*, page 32) is the senior editor for *Reverse Mortgage* magazine. Tom is a licensed loan originator (NMLS # 1590611) for Virginia-based City Lending Inc., and he has had a 34-year career in journalism that has included being a reporter, writer and editor in Maryland, North Carolina, Pennsylvania and New York. He currently teaches journalism on the college level and writes for various business publications. He is a former president of the Pennsylvania Society of News Editors and a former president of the Associated Press Media Editors in Pennsylvania.

Darryl Hicks (*Talking Heads*, page 12, and *CRMP Program: Still Going Strong*, page 26) is vice president, communications for NRMLA where he writes the *Weekly Report* and administers the CRMP program. He roots for the Steelers and the Phillies and reads mysteries as he rides the Metro to work each morning.

Jamie Hopkins, Esq., LLM, MBA, CFP®, RICP® (*Retirement Prep*, page 6) is director of retirement research at Carson Group and a Finance Professor of Practice at Creighton University's Heider College of Business. He is author of *Rewirement: Rewiring The Way You Think About Retirement.*

Jessica Hoefer (*Borrower Chronicles*, page 36) is the communications coordinator for Dworbell Inc., where she is also the member services coordinator for National Aging in Place Council and assists with the publication of *Reverse Mortgage* and *Tax Credit Advisor* magazines. She came to NRMLA from the National Geographic Society. She is an avid reader and theater junkie and loves to travel.

Mark Olshaker (*Peering Into 2020*, page 18 and *Hearing Shows Concern but Support for HECM Program*, page 19) is a best-selling author of fiction and non-fiction and an accomplished researcher in the areas of crime and medicine, as well as a documentary film writer and producer. Olshaker has written 16 books, including *Law & Disorder* with former FBI Agent John Douglas and *Deadliest Enemy: Our War Against Killer Germs* with Dr. Michael Osterholm. His latest book with Douglas, *The Killer Across the Table,* was published by Harper Collins in 2019. Their book *Mindhunter* is the basis for the current Netflix series. RM

The Path Ahead

This issue of Reverse Mortgage *looks to the future*

By Thomas A. Barstow

THE LAST FEW YEARS HAVE BEEN DIFFICULT in the reverse mortgage industry, with the number of loans hitting recent lows in 2018 in most states. While some loan officers indicate that this year will be better, the all-time highs of a decade ago remain elusive. In this issue of *Reverse Mortgage,* however, we are not looking back but peering forward into the year ahead to see what industry leaders are saying about the trends.

In articles starting on page 18, writer Mark Olshaker talks to several experts, including Reza Jahangiri, the founder and CEO of American Advisors Group; Kristen Sieffert, president of Finance of America Reverse; David Peskin, president of Reverse Mortgage Funding LLC; Steve Irwin, executive vice president of NRMLA; and Jamie Hopkins, director of retirement research at Carson Wealth. Their insights into where the industry has been, and where it might be headed, are worth your time to read.

"After one of the most challenging years for the industry—2018—the low-rate environment, the introduction of more proprietary products with greater consumer benefits and the lack of HECM changes helped the industry rebound from what seemed to be a free fall," Jahangiri says. "If these three factors remain a constant, we anticipate a further rebound in 2020."

Along with that article, Olshaker takes a closer look at the September 25 hearing before the Subcommittee on Housing, Community Development and Insurance. The hearing examined perceived problems with the HECM program, while including statements of encouragement of why HECMs remain a vital planning tool for millions of Americans. Peter Bell, president and CEO of NRMLA, was among the witnesses, an experience that prompted his column for this edition, which appears on page 5. Bell notes that the hearing should be a call to action, with loan officers making efforts to educate their local legislators about the program.

"We will be most successful in achieving our policy objectives if the information our elected officials receive comes from individuals who are technically knowledgeable and up to date in what they provide," Bell writes in his

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In Reverse continued from page 3

column. "Uninformed observers, echoing anecdotal evidence from legacy matters that have long since been resolved, will fill the information void if we don't step in instead."

He goes on to advise loan officers on ways they can ensure that legislators hear their voices.

Spreading the word might include using the personal stories of how HECMs changed the lives of seniors for the better, allowing many people to comfortably age in place in their homes. This issue includes a profile of such a borrower, Freddie Smith, 77, of Walland, TN. Her experience with a HECM now has her evangelizing the program.

Many people such as Smith are able to achieve that independence with the help of lenders like Mike Holton, president of New Castle Mortgage LLC in Tennessee, where the annual conference is being held this year. Holton's experience with starting and running his company is an inspiration, and he answered questions about where he has been and where the industry is going in *Talking Heads*, page 12.

"We are confident that the reverse mortgage still has its place as an effective tool to financially enhance a senior's life," Holton tells Darryl Hicks. "From a personal standpoint, we are proud of what we do. We know we're doing it well, and we genuinely feel good knowing we help seniors to continue living in their own homes."

That professionalism and dedication, as well, is behind another article by Hicks, who looked back on the ten years since the Certified Reverse Mortgage Professional (CRMP) program started and how the designation has helped establish reverse mortgages as a product that consumers can depend upon (*CRMP Program: Still Going Strong*, page 26).

As we enter 2020, we will be looking for other ways to inform our readership about industry trends, as well as exploring the different regions of the country, noting not just the problems but the potential solutions.

"We see the industry focusing on growing the market in 2020," Sieffert says in the article by Olshaker. "And in order for the industry to grow, we need more people on the street spreading the positive message around the reverse products." RM

Balanced Viewpoint

We Must Network With Elected Representatives

By Peter Bell, president & CEO of NRMLA

THE RECENT HEARING before a House Committee on Financial Services subcommittee made me recognize a few things.

First of all, for the most part, members from both sides of the aisle, Democrats and Republicans alike, voiced their recognition that HECM reverse mortgages fulfill an important role and should remain available. This is an important acknowledgment as we develop our policy strategy for the period ahead.

Second, notwithstanding all the industry has done to build broader familiarity with the concepts underlying reverse mortgages and the mechanics of how they work, there is still a tremendous amount of fear and confusion on the topic.

Third, most House members know little about the subject, and they have never actually met anyone who has benefited from a HECM to tell them about it, nor have they been visited and briefed by constituents who are in our business.

The fact that most of those participating in the subcommittee hearing professed their support for the HECM program conceptually provides a helpful starting point for our strategy. Now we must build upon that to assure that our elected officials' impressions of what is happening in our field accurately depicts the state of things.

How can we do that?

There is only one way: personal contact and building relationships. Get out and meet your members of the House at whatever opportunity presents itself.

Peter Bell

You can attend town halls or civic meetings where your representatives will appear. You can call their campaign committees and find out when there might be a political fundraising event you can attend. You can call the district offices and talk to the schedulers about meeting with your reps or key staffers to get acquainted and start a dialog.

We will be most successful in achieving our policy objectives if the information our elected officials receive comes from individuals who are technically knowledgeable and up to date in what they provide. Observers from outside our business might have strong opinions and loud voices but lack the true knowledge that policymakers seek. Uninformed observers, echoing anecdotal evidence from legacy matters that have long since been resolved, will fill the information void if we don't step in instead.

The lesson I have taken away from the congressional hearing is that it is critical for NRMLA members to get engaged in the political arena. Go out and meet your representatives. Start working to build relationships that enable you to provide advice when matters that could benefit from your expertise arise.

As campaigns gear up in the months ahead, there will be an increasing number of opportunities to meet your representatives. Don't sit this out; get out there and participate. Help advance our cause. RM

Why Is it so Hard to Get Clients to Borrow in Retirement?

By Jamie Hopkins, Director of Retirement Research, Carson Wealth Management

ONE OF THE LARGEST, if not the largest, assets of most retirees is their home equity. But, to the frustration of the reverse mortgage and lending world, retirees show a great deal of hesitancy toward borrowing against their homes in retirement. Often, I get asked, "What can the industry do differently to change this consumer behavior? Is it interest rates? Is it the product? Is it messaging?" It's all of it, and none of it. Perhaps the hesitancy to borrow in retirement is rooted much deeper in the client's behavioral upbringing.

Let's first start with the messaging about the American dream. The message has always been set with a white picket fence, dog, marriage, children and a home. If anything, the home is the central part; it is almost what allows for the rest of the American dream. Without it, the dream falls apart.

Next, how do you buy a home? With a mortgage! How does a mortgage work? You make monthly payments, over a long period of time, and hopefully pay it off eventually. At that point, you finally feel that you own your home free and clear. It's not that you couldn't use the whole home the entire time you had the mortgage, but it just feels different.

Jamie Hopkins

Essentially, if you take a 30-year mortgage option, you are trained for 30 years to make payments and pay down debt. At no point are you conditioned, trained or educated on borrowing more to improve your position. This cannot be overstated. Think about this: For many people, 30 to 90 days of doing something can create a habit. Well, how about 30 years?! Americans are conditioned to pay down their debt on their home, not to borrow again and again.

Even if you don't believe that having long-term mortgage payments conditions someone to pay down debt, let's look at how people make decisions. People really make de-

cisions with two sides of the brain—the quick-thinking reactionary side and the long-term analytical and rational side. The quick-thinking reactionary side is often risk averse. Most people feel more pain from loss than they do pleasure from gain. As such, the pain of losing money by creating debt is more painful than the pleasure received by increasing your standard of life. Typically, this margin is about two-and-a-half times more pain from loss than pleasure from gain.

So, if you look at clients nearing and in retirement, taking on debt, even if it improves their lives, needs to be positioned in a way to not trigger their risk aversion. The loss is painful and will not be overcome immediately by the benefits.

Now, let's look further at loss aversion and the impact of borrowing. If by borrowing you put risk on your ability to stay in the home or increase your perception of risk, the brain will scream "no." It needs to protect you. It needs to avoid risk. It needs to stay away from borrowing because of the what-ifs. Our brain likes certainty, not uncertainty. Uncertainty represents risks to our well-being, while certainty represents stability and security.

The investment and financial planning community has come to realize that risk-tolerance levels impact a client's decision making. As such, we need to capture a client's risk-aversion level. The same should be true in the mortgage world. Companies should start to gather some degree of risk preference and then test ways to better communicate with different types of clients.

For instance, you might quickly find out that risk averse clients won't borrow in retirement. But, they might refinance since they already are borrowing. You might find out that risk averse clients are more likely to be fearful of losing their home than other clients. As such, recommendations, education and communication can change based on the client's situation and preferences.

People are impacted by their experiences. It is important to not ignore the fact that people do not like risk and have been conditioned to pay down debt for decades. Take a lesson from the financial planning community and start to incorporate client behavioral traits into the planning and mortgage process. RM

The Biz

EVERYTHING NEW YOU NEED TO KNOW

People are talking about ...

GAO: FHA Needs to Improve Monitoring and Oversight of HECM Outcomes and Servicing

The Federal Housing Administration (FHA) could do a better job evaluating the performance of its reverse mortgage program and overseeing the companies that service loans, according to a Government Accountability Office (GAO) report released on September 25.

The GAO says a growing percentage of HECMs insured by FHA ended because borrowers defaulted on their loans. While death of the borrower is the most commonly reported reason why HECMs terminate, the percentage of terminations due to borrower defaults increased from two percent in fiscal year 2014 to 18 percent in fiscal year 2018.

"Most HECM defaults are due to borrowers not meeting occupancy requirements or failing to pay property charges, such as property taxes or homeowners' insurance," the GAO reports. "Since 2015, FHA has allowed HECM servicers to put borrowers who are behind on property charges onto repayment plans to help prevent foreclosures, but as of fiscal year-end 2018, only about 22 percent of these borrowers had received this option."

GAO listed nine recommendations for FHA to consider, among them:

- Improving the quality and accuracy of HECM termination data;
- Establishing and periodically reviewing and reporting on performance indicators for the HECM program and examining the impact of foreclosure prevention options in the forthcoming HECM program evaluation;
- Developing and implementing procedures for conducting on-site reviews of HECM servicers, including a risk-rating system for prioritizing and determining the frequency of reviews;
- Working with the Consumer Financial Protection Bureau (CFPB) to complete an agreement for sharing the results of CFPB examinations of HECM servicers with FHA; and
- Collecting and recording consumer inquiries and complaints in a manner that facilitates analysis of the type and frequency of the issues raised.

FHA Extends CRA and Updates MOE Policies

In separate mortgagee letters published on September 23, the U.S. Department of Housing and Urban Development (HUD) modified the requirements for assigning loans under the Mortgagee Optional Election (MOE) process and extended the HECM Collateral Risk Assessment (CRA) requirements indefinitely. Both mortgagee letters took immediate effect.

CRA was due to expire on September 30. Mortgagee Letter 2019-16 rescinded that termination date and extended CRA for the foreseeable future. FHA said it evaluated the HECM program requirements implemented under ML 2018-06 and determined that the CRA requirement is "having the desired effect of mitigating significant collateral valuation risks posed to the Mutual Mortgage Insurance Fund [MMIF] and borrowers."

Mortgagee Letter 2019-15 eliminated all interim deadlines for MOE Assignments that were outlined in ML 2015-15 for HECM case numbers issued prior to Aug. 4, 2014. Since implementation of the MOE Assignment process outlined in ML 2015-15, FHA has found that several of its requirements obstructed mortgagees' election of the assignment option. To address these issues, and to improve the fiscal safety and soundness of the HECM program, FHA modified the requirements for HECM MOE Assignment claims by:

- Eliminating the interim MOE Assignment election and assessment deadlines, along with associated notification requirements;
- Eliminating the 120-day timeframe for bringing current all property charges on a HECM loan that is subject to a pre-existing loss mitigation repayment plan;

- Establishing a 180-day reasonable diligence timeframe to initiate a MOE Assignment;
- Eliminating the requirement for an eligible surviving non-borrowing spouse to obtain good and marketable title to the property that secured the HECM or demonstrate the legal right to reside in the property for life, and modification of related certifications and assignment criteria;
- Updating the definition of eligible non-borrowing spouse; and
- Requiring mortgagees to request information from borrowers to attempt to identify non-borrowing spouses.

This set of changes is designed to facilitate a more streamlined HECM MOE process for mortgagees, which in turn will allow them to more effectively help eligible HECM nonborrowing spouses avoid foreclosure.

The press is talking about ...

Retirement: How Reverse Mortgages Can Help Retirees Weather Market Storms

Sandy Block, senior editor at *Kiplinger's Personal Finance,* explains how taking out a reverse mortgage early in retirement can help protect your retirement income from

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LET US KNOW WHAT YOU'RE TALKING ABOUT.

This forum is the place for readers to share their opinions with fellow colleagues about the direction of the reverse mortgage business and other retirement trends. Submissions should be limited to 100 words or less and submitted to Associate Editor Darryl Hicks, at *dhicks@dworbell.com*.

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stock market volatility and significantly reduce the risk that you will run out of money. "Here's how the strategy works: Take out a reverse mortgage line of credit as early as possible—homeowners are eligible at age 62—and set it aside. If the stock market turns bearish, draw from the line of credit to pay expenses until your portfolio recovers."

A traditional home-equity line of credit could also provide a source of emergency cash, but you can't count on the money being there when you need it, said Shelley Giordano, of the University of Illinois at Urbana-Champaign.

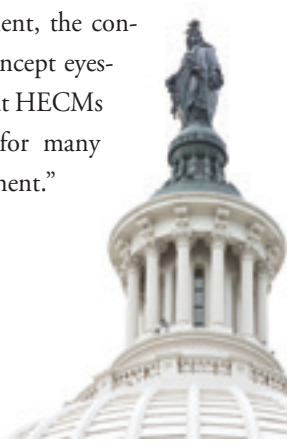
Block also noted that the "credit line increases as if you were paying interest on the balance, even though you don't have to pay interest on money you don't tap."

If interest rates increase—and, given current low rates, they are almost guaranteed to move higher eventually—your line of credit will grow even faster, Giordano says.

Retirement Tools That Are Misunderstood

In a column for *Forbes,* Steve Parrish, co-director of the New York Life Center for Retirement Income at The American College of Financial Services, argues that insurance products, reverse mortgages and trusts may be misjudged by consumers, but they still have their place as retirement planning strategies and should not be overlooked.

"Reverse mortgages, specifically HECMs, have proven highly beneficial to many retirees," Parrish writes. "They've helped couples stay in their homes during retirement, and they've provided a stream of retirement income. They've been useful in estate planning and provided a source of needed liquidity. Like any loan arrangement, the consumer needs to approach this concept eyes-wide-open and even skeptical. But HECMs are a legitimate consideration for many homeowners approaching retirement."



In Washington, they're talking about ...

NRMLA Comments On Proposed Changes to Debt Collection Law

Because there are fundamental differences between reverse mortgages and most other debt obligations, NRMLA would like to see them (and non-recourse debt obligations, generally) exempted from the Fair Debt Collection Practices Act (FDCPA), according to comments submitted to the Consumer Financial Protection Bureau.

The FDCPA—which Congress passed in 1977 to eliminate abusive, deceptive and unfair debt collection practices—is being updated by the CFPB to conform to modern-day communications and technologies. While NRMLA applauds these efforts, "Some of the proposals embodied in the proposed rulemaking, without appropriate revisions, will discourage constructive communications between reverse mortgage servicers and borrowers in the context of non-collection related servicing matters and loss mitigation."

In its proposed rule, the Bureau identified "excess call frequency" as an unfair and abusive practice. Debt collectors would be prohibited from calling a consumer more than seven times over a seven-day period and, after a telephone conversation has occurred, from contacting that same person again within seven days, under the CFPB's proposal.

NRMLA cited instances where a reverse mortgage servicer may need to contact a borrower or borrower's heirs more frequently than allowed under the CFPB's proposed rule, whether it's to schedule an appraisal prior to calling a HECM due and payable, communicating loss mitigation or foreclosure alternatives, or assisting the borrower after a natural disaster.

"The unintended consequence of the Bureau's proposal may be that servicers and creditors would limit their efforts to communicate loss mitigation or foreclosure alternatives, leading to more frequent, and potentially unnecessary, foreclosures," says NRMLA.

FHA Publishes Implementation Requirements for Condo Units

On Aug. 14, the FHA published its "Project Approval for Single Family Condominiums" (Docket No. FR-5715-F-02), Final Rule in the *Federal Register,* as well as updated its *Single Family Housing Policy Handbook* 4000.1 (SF Handbook) to include the new condominium-related policy guidance.

As FHA announced with the Aug. 14 publication, the final rule is applicable to both the HECM and

forward mortgage programs. As a result, FHA published Mortgagee Letter 2019-17 on September 27, which outlines the updated origination requirements for HECMs in condominium projects in accordance with the recently published SF Handbook guidance. It also includes certain borrower eligibility requirements for seniors seeking to obtain a HECM for a condominium unit using FHA's Single-Unit Approval process.

The Condominium Project Approval requirements can be found in Section II.C. of the SF Handbook. The condominium requirements for units in approved projects, site condominiums, and Single-Unit Approval requirements are in Section II.A.8.p, except as noted in the ML. HECM mortgagees must comply with the guidelines beginning Oct.15, 2019. Mortgagees also must comply with all other existing HECM eligibility and program requirements.

CFPB Releases New Guide for HECM Borrowers Affected by Natural Disasters

The Consumer Financial Protection Bureau (CFPB) released a guide for older homeowners on how to meet their reverse mortgage loan obligations while recovering from a natural disaster. After a natural disaster, reverse mortgage borrowers may experience damage to their homes, unexpected expenses and a sudden loss of income. All of these things may make it difficult for them to comply with the loan requirements, which could lead to foreclosure.

Read the CFPB's new reverse mortgage disaster guide, and share it with clients you serve, financial caregivers and anyone else who could benefit. Download your copy at *www.nrmlaonline.org/2019/09/10/cfpb-releases-new-guide-for-hecm-borrowers-affected-by-natural-disasters.*

NRMLA Supports Changes to FHA Annual Lender Certification

NRMLA submitted comments to the FHA in late September supporting the agency's proposed revisions to the Annual Lender Certification.

"The revised FHA Annual Lender Certification, if adopted, would eliminate redundancy by reducing the number of certifications required of mortgagees and streamline the certification language," says Steve Irwin, NRMLA's executive vice president.

"The proposed changes to the Annual Lender Certification are an important step toward FHA accomplishing its goal of striking a balance that encourages responsible lenders to participate in the FHA programs, while at the same time protecting the FHA Mutual Mortgage Insurance Fund," Irwin adds.

Read the entire letter by logging into Comment Letters section of *www.nrmlaonline.org*.

Why Aren't More Women Working? They're Caring for Parents

The burden of caring for aging relatives has reshaped the lives of millions of others, according to *The New York Times* reporter Eduardo Porter. About 15 percent of women and 13 percent of men between the ages of 25 and 54 spend time caring for older relatives, according to the Labor Department. Among those 55 to 64, the share rises to one in five Americans. And 20 percent of these caregivers also have children at home.

Porter profiled 35-year-old Aisha Adkins of Dunwoody, GA, who gave up a career in social services to care for her 62-year-old mother who has dementia and can't be left alone. While Adkins's father is contributing more to his wife's care, the family is just getting by on his income.

Out of 36 industrialized countries currently in the Organisation for Economic Co-operation and Development, the United States ranked 30th in 2017 in the participation of prime-age women in the workforce.

While the lack of family-friendly policies, like parental leave and child care subsidies, played a role—making it tougher for American women to juggle motherhood and work—economists say the virtual absence of support for eldercare is a prime suspect in explaining why the share of women taking part in the labor force stalled in the late 1990s after rising relentlessly for 50 years.

Last spring, Washington became the first state to create a sweeping program of long-term-care insurance, offering a benefit of up to $36,500 to cover items, like meal delivery, nursing-home fees and home help, and paying a family member who provides care. The program is paid for by a 0.58 percent state payroll tax.

And now you're up to date.

Mike Holton, President, New Castle Mortgage LLC

By Darryl Hicks

MIKE HOLTON was one of Nashville's top professional trumpet players for 20 years when a friend convinced him he could make more money selling mortgages. It turns out the friend was right. Holton soon realized that he had found his calling in the mortgage industry. He stayed mostly on the management side of the business, leading sales teams to a high level of success. It was around 2006 when he first heard about reverse mortgages.

Holton gathered as much information as he could about reverse mortgages and, seeing an opportunity, asked his boss for permission to open a reverse mortgage division. The owner refused, so Mike and his wife, Catherine, obtained their own mortgage broker license, opening New Castle Mortgage in April 2007. Although they had never done a reverse mortgage prior to the opening, the Holtons set out to specialize in them.

Opening a business in 2007 was challenging. Opening a mortgage company in 2007 was worse. Opening a mortgage company to specialize only in this niche product was almost crazy. But fast forward 12 years, and New Castle Mortgage is still helping retirees in middle Tennessee with their reverse mortgage needs.

Reverse Mortgage magazine sat down with Holton to learn how he has remained successful and how his marketing and business philosophy has changed over time.

Reverse Mortgage: ***You and Catherine originated traditional mortgages for a decade when you became interested in reverse mortgages. What attracted you to this product?***

Mike Holton

Mike Holton: We both worked for a company that only originated FHA streamlined mortgages. We had just four originators, but we closed over 50 loans a month. Nobody else was doing streamlines; nobody knew what they were. That was 1997. Nine years later, everybody was doing them. I was trying to figure out what to do next. FHA streamlined mortgages had been a niche product, so I wanted to do something similar, a new niche.

Oddly enough, this fellow called and asked me, "Do you do reverse mortgages?" I said,"no." I had no idea what they were. I spent several days researching them and submitted a plan to the owner of the company. He passed on the opportunity. A month later, Catherine and I had the LLC for New Castle Mortgage. I did not want to jump into the fray, like everyone else, of being a full-service lender. I thought reverse mortgages would be different, plus we had already proven to ourselves that we could specialize in one mortgage product and succeed. We opened New Castle Mortgage to be a reverse mortgage company and, so far, that's all we've done.

RM: ***Despite frequent regulatory changes and diminished volumes, you're still as committed to reverse mortgages as you were in 2007. What motivates you to do this?***

MH: This is what we picked. Reverse mortgages. This is what we do. Even though business has been funky, with diminished volumes and the underwriting guidelines getting stricter, at this point I am 66 years old. We are not old enough to quit working, but too old to start something new. Honestly, after 12 years of only originating reverse mortgages, we're pretty good at it. We're visible in Nashville. A lot of people know about us. Catherine and I work well together and have been business partners for 23 years. We each have our strong points, and we stick to them. I do the administrative stuff—licensing and compliance—while Catherine is really the face of reverse mortgages in Nashville, TN. We like what we do and enjoy working with each other. And we like working with seniors. We feel like we're changing their lives for the better.

***RM:** Many companies that once specialized in reverse mortgages have started originating forward mortgages to stay solvent. Have you contemplated diversifying?*

MH: We opened New Castle to only do reverse mortgages. I am proud to say that, during this whole time, that's all we've done. But it is likely that we are going to branch out and, in a few months, add non-Qualified Mortgages (also known as non-agency loans) to our product lineup. Again, we don't want to be a full-service company that offers forward mortgages, FHA and VA loans, etc. Our success has been due partly to the fact that we have chosen a specific product—originally it was streamlined mortgages, now reverses—and we have become very good at doing them. Currently, we specialize in reverse mortgages for seniors and soon will add non-QM loans for people who don't qualify for a typical conventional mortgage. We are now going to have two specialties instead of just one.

***RM:** What steps have you taken to keep your costs down and your revenues steady to remain competitive?*

MH: I've saved thousands of dollars in expenses over the past year-and-a-half by cutting out advertising. I peaked in 2012 at about $28,000/month, which for a small company was a lot of money. I spent $300,000 a year for television alone. It was good when it was good, but eventually it became too expensive and less effective. As

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Talking Heads continued from page 13

far as competition goes, there are two levels: local and national. We don't have any local competition. Because of the advertising and promotions that we've done throughout the years, people know us as a local reverse mortgage company, "THEreverse mortgage company of Tennessee," with the emphasis on the word "THE."

If there are companies offering reverse mortgages in the middle Tennessee region, then they're doing it as a sideline. We always win out against them. National lenders are a different story. They still have the advertising strength and monetarily we can't beat them on fees. However, it's amazing how many times we still do beat them. Being local, our prospects can meet us in their homes or at our office rather than talking with someone in a call center. We're also 12-year members of the BBB (Better Business Bureau). Consumers see that we don't have any complaints on the BBB website. Note to everyone: If you haven't already, you should become a full-fledged member of the Better Business Bureau.

***RM:** How do you reach consumers today? How has your marketing plan evolved over time?*

MH: What helps us right now is the advertising that we did from 2007 to 2013. We did a lot of TV and radio advertising. We were on 650 AM WSM, country music radio. It was started 90 years ago and remains the largest country music radio station in the country. We tagged ourselves as being THE reverse mortgage company of Tennessee. I even trademarked that name. From the get-go, we came out of the gate promoting ourselves as experts in this field. That first year, I spent $2,000 a month with AT&T for sponsored internet ads. So, of course, I was at the top of internet pages with a paid ad. By the end of that first year, I was also positioned in the top three spots but organically. My internet presence is still good today. We have created decent relationships with several financial planners, who still send us business.

We've also had a lot of satisfied customers who send us referrals. The most recent thing that I stopped doing, after 11 years, was paying for taglines on the two largest television stations in Nashville. NBC and CBS brought to you by New Castle Mortgage, THE reverse mortgage company of Tennessee. That was still going on until about a year ago. People who call us today have gone to the Better Business Bureau or found us on the internet.

***RM:** Proprietary reverse mortgages are not allowed in Tennessee because of the way the laws are currently written. I know you'd like to see that law changed soon. Have you done any research into the potential demand for proprietary reverse mortgages in the markets you serve?*

MH: I've not done real research, but I know the neighborhoods around Nashville, the home values in the areas and the types of consumers who do reverse mortgages. A lot of Tennessee is rural. There's less of a need for proprietary reverse mortgages in those areas. If you look at Tennessee as a whole, Nashville is the blue dot in the center of the state. Nashville and middle Tennessee is a metropolitan area with the highest home values in the state. Home values in Nashville are higher compared to many cities across the United States. You would not believe how much people are paying for homes in and around Nashville. Nashvillians are also a little more savvy with their finances and don't shy away from doing a home refinance if it is the right thing to do.

We need to be able to do proprietary loans. The new loans offer higher loan limits and greater flexibility in how a loan can be structured—for example, as a second mortgage—that make them appealing. The greatest feature is that there's no mortgage insurance premium, which makes them less expensive compared to a HECM. I wrote to [NRMLA President and CEO] Peter Bell and asked for his advice on what it would take to change the law in Tennessee to allow for proprietary reverse mortgages. He provided an extremely well-written, detailed response. I realized for the first time what we are up against in terms of getting a bill enacted into law. It all boils down to how lucrative the proprietary reverse mortgage lenders see Tennessee. Statewide, it's not going to be very lucrative, but it certainly will be in Nashville. I look forward to speaking with each lender at the conference in November to get their insight as to what can be done to get behind this effort to change this 25 year-old law.

***RM:** What is your favorite reverse mortgage borrower story?*

MH: Catherine got a phone call from a 90-year-old man and once they started talking, he said, "I have a friend who also wants to hear this." These two fellows, both 90 years old, have been best friends since elementary school. He said, "Can I bring my friend over, because he wants to

do this too?" Catherine got with these two guys and took their applications, and their loans closed about a year ago. That was a unique situation that we haven't encountered before or since. And they both keep in touch with Catherine to this day. When Catherine works with somebody, she wins their heart over and they win hers, and they remain friends forever.

***RM:** How has your average client changed?*

MH: Our clients are younger. When we first started doing reverse mortgages, most of our clients were in their 70s and 80s. Today, we have clients in their early- to mid-60s and even some who are 61 who are getting ready to do a reverse mortgage when they turn 62. Things have evolved over the past decade. The older folks 10 years ago were a little slower to come around to the idea of the reverse mortgages, likely because it was a new product or not as visible. They were more conservative. They came from a generation that strived to get out of debt post-World War II. They paid cash for everything. If they couldn't afford it, they didn't buy it.

Over time, we transitioned to Baby Boomers, who had a more aggressive attitude concerning their finances.

***RM:** What is one positive takeaway for the coming year?*

MH: From a business standpoint, I still believe the reverse mortgage is an excellent product. I hope it will be around for a long time. Regular people tend to never have enough money. No matter how much they have, they don't seem to have enough. And as we know, the main way for them to get more money is through their home equity. That was the way it was with forward mortgages, and it's the same with reverses. We are confident that the reverse mortgage still has its place as an effective tool to financially enhance a senior's life. From a personal standpoint, we are proud of what we do. We know we're doing it well, and we genuinely feel good knowing we help seniors to continue living in their own homes. After all, this is what the program was designed to do. We love doing them. This is what we picked -reverse mortgages. This is what we do. And we're going to keep doing them. RM

Welcome to the 2019 NRMLA Annual Meeting & Expo

Speakers and events will add to your knowledge

By Thomas A. Barstow

CHRISTINA HARMES HIKA already planned to attend the 2019 NRMLA Annual Meeting & Expo, Nov. 18–20 in Nashville, TN, when she heard in late September that the agenda includes Brian Montgomery, commissioner of the Federal Housing Administration (FHA), as the keynote speaker.

"That's a big deal for him to be there," says Harmes Hika, a CRMP from Southern California. "He is the top guy. Everybody is going to want to hear from him."

Montgomery is just one of several speakers who is on the agenda for the convention. And if you are reading this, you might already be settling in at your hotel in Nashville and fine-tuning how you are going to spend the next several days. *Reverse Mortgage* touched base with some of the people who will attend this year, as well as some of the speakers, to give you an idea of what to expect a bit beyond the official agenda.

Montgomery, whose online biography notes that he has served as head of the FHA under three administrations, isn't new to NRMLA events, having spoken as recently as May at the regional meeting in New York. *Reverse Mortgage* reported at the time that Montgomery reaffirmed his commitment to HECMs. As of press time, Montgomery's talking points were not released in advance of the convention, but a lot has happened since May and a lot is expected in the new year, as writer Mark Olshaker reports in this edition of the magazine. (See articles starting on page 18.)

Christina Harmes Hika

The confirmed speakers also include Mike Gruley, who spent his career doing mortgages and HECMs before branching out into being a professional Entrepreneurial Operating System, or EOS, implementer.

Having started and run several mortgage-related operations, Gruley says he knows what it is like to get caught up in the day-to-day operations and lose sight of the bigger picture and the passion that got owners and managers into the business. The issues business owners face become particularly pronounced as growth means bringing on more people, and they are "having to manage a lot of human energy."

"Even great companies can find themselves hitting a ceiling, unable to get to the next level," says Gruley, who once served on NRMLA's board. "I help my clients break through those ceilings and achieve their vision."

EOS—a patented system—can be used in any business, but Gruley's background will help him also apply EOS principles to reverse mortgage companies. The principles, according to *www.eosworldwide.com*, include getting everyone in an organization "on the same page" and making sure they understand the plan for the future and how a company will get there. It also involves coaching an organization's leaders, which is where the bulk of Gruley's work is done, he says. His presentation will include an overview of how EOS works and the tools used with the program. "Are you running your business or is it running you?" he asks, adding that he discovered EOS while building his businesses. "It was transformational for me, and I know it can be for others, too."

Beth Paterson, CRMP, is familiar with Gruley's work, having competed against him when Gruley did reverses in Michigan, where Paterson once did business. Paterson, executive vice president of Reverse Mortgages SIDAC LLC based in St. Paul, MN, says she will be at the convention and make a point to see Gruley's presentation. While they used to compete, they also became friends. "Knowing him, and knowing him very well, I think it is going to be awesome," she says.

The Annual Meeting & Expo also includes a presentation by Dan Hultquist, vice president of organizational development for Finance of America Reverse and author of the book *Understanding Reverse*. Hultquist works as a trainer and has been making the rounds in his company helping loan officers better educate people about reverse mortgages.

In September, he said he was working on the details of his presentation but that it would be something along the lines of "effective communication of HECM products." Education is a key to success with reverses, and loan officers need to know how to effectively communicate all aspects of the products. "It is speaking to the loan originator who thinks he has all the answers but doesn't," he says.

Hultquist, like others contacted before the event in Nashville, says he likes to attend the conventions and meetings because of the overall collegiality in the industry. The networking before and after events gives everyone a chance to learn from each other. "Lenders generally are pretty collaborative," he says. "We are not fighting against each other. We are fighting for public perception. We are more than willing to share our best practices."

Ken Wieland, a CRMP who works out of Loudon, TN, agrees that the networking is a draw but that the whole event is an opportunity to catch up. Loudon is closer to Knoxville, TN, than Nashville, but it is a relatively short trip for him to get to the national convention this year. "I like keeping up with what is going on in the industry," he says.

The final details of the agenda still were being developed at press time, but the agenda will include a number of other topics and speakers, including Tabatha Addison, vice president of sales and business development, wholesale lending, at American Advisors Group. She will lead a discussion that looks at how to "effectively use or balance our egos to maximize results," according to a snapshot about her presentation provided to NRMLA. "We all have moments when ego, without even realizing it, costs us everything from an honest conversation to a job or promotion," the snapshot notes.

You also can expect to hear from Rob Chrisman, whose *Daily Mortgage News and Commentary* newsletter reaches 55,000 people nationwide. He is expected to give an overview of the state of the mortgage industry. RM

STAY APPRISED

Updates on the 2019 NRMLA Annual Meeting & Expo can be found on the Eventsential app and the NRMLA website, *www.nrmlaonline.org*. Also, follow the annual meeting on Twitter at #nrmla2019.

Peering Into 2020

Industry leaders discuss what they see in the year ahead

By Mark Olshaker

THE NUMBER OF HEADLINE VARIABLES and regulatory moving targets roiling throughout the reverse mortgage industry can be truly dizzying. Each year seems to bring another set of questions and another set of challenges. We, therefore, thought it made sense to ask some experienced, expert participants and observers from different spheres of the reverse mortgage world to look ahead and weigh in on what they think will be the key issues, determinants and challenges in 2020.

Interest rates, an expanded range of proprietary products and governmental action dominate the conversation.

Jamie Hopkins: 4 Things to Watch

Jamie Hopkins, director of retirement research at Carson Wealth, is an attorney and MBA, as well as a finance professor of practice at Creighton University's Heider College of Business. The author of *Rewirement: Rewiring the Way You Think About Retirement*, Hopkins is a longtime observer and analyst of the reverse mortgage field.

Jamie Hopkins

"There are four things I'm pay-

ing attention to," Hopkins says, posing the critical issues as questions. "No. 1 is the macroeconomy issue. Where do interest rates seem to be moving? Are negative rates impossible? Probably. But I think we could get pretty close to zero. What does that do to the market? How are the loan products even structured in terms of regulatory issues? If you look at the housing market in general, the rates have been moving even before the Fed acts, so you can look at that as a leading indicator. Rate declines put pressure on reverse mortgages. They could put additional pressure on some of the proprietary products.

"No. 2, on the proprietary side, when we spoke about this last year, we said that 2019 would be about more proprietary products coming onto the market," Hopkins adds. "And it seems that companies with a range of proprietary products are the only ones that have grown this year. Next year should be very good for that, too. I see more of those products being developed.

"No. 3: where does technology and integration go in the next year? Reverse mortgage products are not integrated into most software planning. I just don't see that on anyone's radar yet. ReverseVision has some capacity," Hopkins continues. "One Reverse and Quicken have the potential. But in the broader financial services market, you have to be incorporated with back office and data aggregation. Otherwise, you're not going to do much business. The places that are getting big are getting away from being product focused. They're saying, 'We can deliver almost anything because of economies of scale.' That is what Rocket Mortgage was able to do, but it's hard to see the reverse sector doing that at this point. [For example,] we should see a particular company's proprietary products being sold by others.

"So, along with that, No. 4 is, can we take another step to get closer to and be more a part of the [forward] mortgage and financial services world? With advisers, we went from being mostly negative to more positive, with more positive press, so the conversation is changing," Hopkins continues. "Being around financial advisers, I can tell you it has changed; with consumers, not as much. It's very hard to move the general public on financial topics. We need to look at the lobbying, distribution and marketing of the forward side. The larger companies have to work on this."

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Hearing Shows Concern but Support for HECM Program

The first hearing of its kind in seven years on the HECM market was billed as a thorough discussion of problems with the program. But what emerged at the Subcommittee on Housing, Community Development and Insurance, which is under the House Committee on Financial Services, was a recognition that the challenges largely have been addressed, and the remaining issues are being considered at the congressional level.

Subcommittee Chairman Lacy Clay (D-MO) began his opening remarks on September 25 by decrying "unsound policy and business practices" in areas like his St. Louis district. But he set a hopeful tone for the hearing, saying, "We may be able to turn around or forge ahead with viable solutions."

Lacy Clay

"HECMs can make a difference in the lives of seniors, providing the personal and financial stability, a flow of income and, most importantly, peace of mind," Clay says. "Unfortunately, in many communities nationwide, a significant number of reverse mortgage loans are now in foreclosure, putting elderly homeowners at risk of eviction and homelessness."

The hearing was prompted in part by a *USA Today* article in June that reviewed reverse mortgage data, demographics and individual borrower accounts, concluding that, "a generation of families fell through the cracks and continue to suffer from reverse mortgage loans written a decade ago." Clay was one of several subcommittee members to relate individual stories of constituent hardships and foreclosures on homes that had been in families for generations. The testimony, though, spoke directly to the changes and reforms put in place in the last decade to avoid those issues.

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For Hopkins, the biggest question for the next year is the most existential for the industry. "Will the [HECM] continue to exist? It's not so big a program that the government couldn't just say, 'Hey, we're done,' particularly as they're always looking for ways to reduce costs," he says. "That's why development of proprietaries is important, because there is always the chance of changing rules again. You can't be so subject to government rules that you can't run a successful long-term business."

Reza Jahangiri: Expanding the Market

Reza Jahangiri is the founder and CEO of American Advisors Group (AAG), which is expanding into a more total approach to retirement funding strategies. He notes several issues the industry will face in 2020.

Reza Jahangiri

"After one of the most challenging years for the industry—2018—the low-rate environment, the introduction of more proprietary products with greater consumer benefits and the lack of HECM changes helped the industry rebound from what seemed to be a free fall," Jahangiri says. "If these three factors remain a constant, we anticipate a further rebound in 2020. Additionally, if the industry continues to put out new iterations of proprietary products, we can help potential borrowers that have been sitting on the sidelines."

In agreement with Hopkins, Jahangiri says, "The more we can diversify away from being a single-product industry, the less sensitive we will be to government changes and external factors. Most importantly, if we can slowly evolve into a product-agnostic home equity extraction retirement market, this could turn into a real growth industry.

"We changed our business strategy in 2017 to shift away from being 100 percent reliant on a government product," he continues. "The collapse of the HECM market after the Oct. 2, 2017, U.S. Department of Housing and Urban Development [HUD] changes validated that we made the right decision. We have now rebounded from the HUD changes and will continue to invest in new business lines and the future of AAG. We hope other companies follow our example and expand into additional products. It's important that the reverse mortgage industry be viewed as solutions-oriented and not fixated on a single product—the HECM. We expect the market to continue expanding as more affluent senior homeowners are exposed to new products [being] brought to market."

Despite this generally upbeat outlook, Jahangiri sees potential challenges ahead. "We think the stability of the Mutual Mortgage Insurance [MMI] Fund is of critical importance," he says. "The good news is that the fund has been moving in the right direction the last several years as all the program changes further bake. Removing HECM from MMI only creates more visibility as to the HECM book performance; it won't change the performance."

As to HUD Secretary Ben Carson's proposal to tailor loan limits to regional markets, Jahangiri thinks that would take an act of Congress and "would cut both ways."

"In the short term, it would hurt a number of borrowers that would no longer have access to the program in a number of geographies," Jahangiri says. "In the long run, depending on if the proprietary product can fill those gaps, we may be better off as a more diverse marketplace."

Then there is the possibility of eliminating HECM-to-HECM (H2H) refinancing. "I think the H2H issue is a very real concern, for consumers and for the fund performance," Jahangiri says. "We are very supportive of HUD making moves to ensure ethical and appropriate refinance activity, while allowing consumers access to credit when needed. How they thread that needle will not be an easy task."

Kristen Sieffert: A Shifting World

Kristen Sieffert is president of Finance of America Reverse, which, under her leadership, has become the second-largest Ginnie Mae issuer of reverse mortgages and the largest wholesale lender in the industry.

Kristen Sieffert

"We see the industry focusing on growing the market in 2020," Sieffert says. "And in order for the industry to grow, we need more people on the street spreading the positive message around the reverse products. We are in transition with the products originators have been selling. We are shifting from a world that was 100 percent Federal

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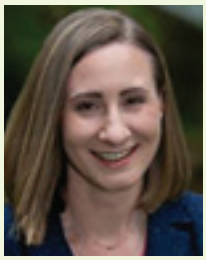
Experts Testify

The four witnesses represented a range of positions, experiences and perspectives. Yet they all spoke of reverse mortgage benefits, how HECMs could be refined and enhanced and how the program and its participants could be protected through better data production and reporting.

The witnesses were: Peter Bell, president and CEO of NRMLA, who has represented the organization in many governmental venues, including the last major House subcommittee hearing in 2012; Alicia Puente Cackley, director of financial markets and community investment for the Government Accountability Office (GAO); Laurie S. Goodman, vice president for housing finance policy at the Washington, D.C.-based Urban Institute; and Sarah Bolling Mancini, counsel to the National Consumer Law Center and an attorney in Atlanta Legal Aid's Home Defense Program.

"The central point is that reverse mortgages provide an important safety net for older adults to allow them to remain stable in their homes," Mancini testified. "The reverse mortgage foreclosure crisis we are facing now was caused by problematic origination practices that largely have been addressed for new HECM loans through HUD's requirement that lenders evaluate the borrower's ability to pay property charges before making the loan (the Financial Assessment requirement) and its 2014 policy that creates some protections for nonborrowing spouses."



Sarah Bolling Mancini

Bell said the HECM program has been largely successful and has helped "over a million households deploy their housing wealth to live a more comfortable retirement."

"We should not lose sight of that fact," he testified. "Nevertheless, whenever a new program concept is implemented, there is always a learning curve and room for improvement. The Congress and several administrations have taken steps over the years to improve the FHA reverse mortgage program."

He enumerated enhanced consumer protections to include the following: financial assessment; requiring set-asides for property taxes and insurance for borrowers whose financial assessment warranted them; reduced principal limit factors that preserve more equity for future interest accrual; higher mortgage insurance premiums; limitations on the amount of equity that can be withdrawn in the first year; loss mitigation tools for borrowers in default; and protection for nonborrowing spouses.

NRMLA President & CEO Peter Bell testified Sept. 25.

Goodman, who spent close to 30 years as a Wall Street mortgage-backed securities analyst, acknowledged that home equity is the most important asset for most homeowners. "And the homeownership rate for seniors ages 65 and older is close to 80 percent. Moreover, in the next decade, the senior population share will grow, and a greater portion of these younger seniors will have forward mortgages, which will consume a large share of their limited retirement income," she said. "For these borrowers, tapping into home equity to pay off the forward mortgage will be even more important to ensuring a comfortable retirement, as it removes the burden of a monthly payment. Reverse mortgages are a critical home equity extraction vehicle for such borrowers, particularly less affluent ones."

Goodman's recommendations for the program include the following: improving reverse mortgage financial literacy to include home equity in financial planning,

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Housing Administration [FHA] to one that includes significant volume from proprietary products. 2020 and beyond may bring process improvements to streamline and make it easier for proprietary to get further traction.

"We made a significant strategy shift in 2018 from being a reverse mortgage company only to becoming a retirement solutions company. Market shifts have impacted our timetables somewhat, but we are continuing to focus on retirement and more importantly focusing on the positive impact our products have on the real lives of our consumers," Sieffert adds. "We believe that lenders will continue to innovate and that originators will seek a broad range of options so that they are of greater service to the borrower. Necessity is the mother of invention. As HECM PLs [principal limits] have decreased and qualifying has become more difficult, only companies with multiple solutions will increase volume. Be it product adjustments or new tools, we will bring some new things to the industry before the end of the year.

"[Finance of America Reverse]'s main goal is to change the perception from being a product of last resort to a smart, sophisticated option for protecting and enhancing wealth. There are 21 million affluent Baby Boomers who could all be interested in home equity as a planning component, if it was portrayed to them as a key asset class, just like their 401(k), IRA and insurance policies," Sieffert continues. "To put this into practice, loan originators will need to align themselves with key referral partnerships and work their targeted industry. We still need to find innovative ways to infiltrate the realtor community and continue to make our voices heard among advisors, CPAs, tax and estate planners, divorce mediators, etc."

Like Jahangiri, Sieffert has mixed feelings and some concerns about some of HUD's proposals. "If rates continue to stay low, or even drop, that should help HECM volume. However, if HUD decides to pull the trigger on regional lending limits, we'll have to make up for the lost volume in proprietary business," she says. "If HUD reduces the incentive to refinance with a HECM-to-HECM, we'll lose volume, but likely gain better outcomes and increase the base of investors willing to invest in the secondary market."

She also notes that servicing is a top issue and that it is something that is being monitored by top officials at HUD, including Carson and Brian Montgomery, HUD's assistant secretary of housing and commissioner of the FHA. "Ben Carson and Brian Montgomery see the inefficiencies on the back end, and I believe this will be a top priority for 2020. There needs to be a fundamental overhaul of the way assigned HECM loans are handled," she says. "We invest a significant amount of effort into the experience our borrowers have in servicing and believe that it is a channel by which we can address the negative perceptions that plague the industry."

David Peskin: A Bigger, Broader Market

David Peskin is president of Reverse Mortgage Funding LLC, one of the nation's top direct reverse lenders, currently servicing more than 84,000 borrowers. He has extensive experience in both the forward and reverse fields and even secured a reverse mortgage for his mother-in-law when she wanted to retire to Florida.

David Peskin

"My vision is that the industry will continue to grow now that we've introduced a variety of proprietary products. Before, we were 100 percent dependent on the government and didn't know from one day to the next if they'd make changes," Peskin says. "I don't want to be dependent on something I can't control. But as long as we continue to be smart about what we offer, we've got a bright future.

"Our focus [for the coming year] is on designing new products to go after a bigger, broader market. We're going after the consumer who doesn't necessarily need a high loan-to-value ratio and doesn't want to pay the high closing costs on a HECM," Peskin says. "It goes back to finding the right product based on the customer's need and the risk to the lender. In the forward world, you've got product diversity—conventional, jumbo, FHA, VA, etc. We can't have just one loan that fits all the buckets.

"Right now, the volume is low, but depending on where rates are in 2020, there's a good chance we'll see growth," Peskin adds. "It may not be in the form of a HECM, but as a whole, we should see the industry continue to grow. Or, with low rates, there may be less need for a proprietary reverse, based on what a customer can qualify for."

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for which she has consistently advocated; simplifying the reverse mortgage product design; lowering costs for less risky products; encouraging innovation; and redesigning programs to reduce foreclosure frequency and loss severity. Specifically, she believes in making set-asides for taxes and insurance the default rather than the selective financial assessment. "You can cut default 50 percent just by having servicers send out reminders," Goodman also said.

Alicia Puente Cackley

In her testimony, Cackley balanced out HECM benefits and risks. "In the report being released today, we are recommending that FHA take steps to improve the quality and accuracy of HECM termination data," she said. "Comprehensive and accurate data on HECM terminations would provide FHA with a better understanding of loan outcomes—information FHA and Congress need in order to know how well the program is helping seniors age in place…Better performance assessment could provide FHA with important information about how well the HECM program is working."

All of the witnesses and subcommittee members supported the value of enhanced data and reporting. The same day of the hearing, GAO released a comprehensive report, titled "Reverse Mortgages: FHA Needs to Improve Monitoring and Oversight of Loan Outcomes and Servicing."

"A Highly Misunderstood Instrument"

One of the values of the hearing was to clear up perceptions that might appear negative until properly understood within the context of the product and industry.

"The HECM is a highly misunderstood instrument," Bell declared. "There is a lot of angst and concern about reverse mortgages. There are a lot of misconceptions about the product."

Speaking directly to a main impetus of the hearing, he noted, "No lender ever wants to foreclose, but foreclosure is logical in many cases because of a lack of heir interest or motivation [to pay back the loan and reclaim the property]. When a borrower passes away and the loan balance exceeds the value of the home, there is little incentive for the heirs to take any other action. In other cases, there is no next of kin able to step in and handle a property disposition. Seventy-five percent of foreclosures are due to death or the nonoccupancy of the borrower. The foreclosure figure might actually be lower than for mortgages overall."

Goodman adds: "HECM is the only vehicle for home equity extraction for many low-income people, and home equity plays an even greater role in the lives of African-Americans and Hispanics than it does for whites."

Two New Bills

In addition to the positive response to the four witnesses' observations and recommendations, two new bills were announced—one controversial and one widely praised. The first proposes to conform HECM loan limits with regional FHA-insured mortgage lending limits, which the Trump administration claims will improve the financial health of the program within the Mutual Mortgage Insurance Fund (MMIF).

"Applying the forward mortgage concept of 'area limits' to a financial resource (HECMs) created for a completely different population at a completely different time of their life would be ill-advised," Bell said. "The costs of aging, whether they include purchasing durable medical equipment, paying for prescription medicines, covering Medicare supplement premiums, etc., do not differ much from one geography to another.

"Area-by-area loan limits penalize homeowners who

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As to the possible end of HECM-to-HECM refinancing, Peskin isn't sure what to expect. "It's hard to say without understanding exactly what they plan to do. The important thing is that the customer not be burdened," he says. "At the same time, we have to make sure lenders are not trying to churn loans just to make money. We just have to get the right balance."

Regional loan limits, Peskin feels, "are not so important as following proper underwriting protocols. We should use the right home value, so the borrower can benefit to the fullest extent from the loan and afford proper health coverage, renovations, etc. At the end of the day, it's about letting older Americans age in place."

Peskin's overall view of the way to grow the industry is to increase volume with more offerings, a willingness to take in less per loan and streamlining the entire process. "A proprietary should be a more efficient loan to process, which should lower operating costs and make things easier on the borrower," he says. "Lenders should be thinking long-term about building a bigger and broader shop. That's going to be important to growing the business."

Steve Irwin: Economic and Political Pressures, and the Demographic Trend

Steve Irwin, executive vice president of NRMLA, follows the reverse mortgage industry as closely as anyone. "There are some fundamental areas we all need to keep an eye on," he says about the coming year. "Most importantly, what is happening in our macroeconomic environment? Pressures in economy and recessionary indicators are out there. So, we need to think about interest rate adjustment and what those pressures will be: pressures on home values and, therefore, pressures on retirement savings and resources.

Stephen Irwin

"Another area is the political front. We know there is growing support for the HECM program as a tool for financing retirement, as seen in the recent hearing. But we see from Secretary Carson's bill that there will be tweaks and adjustments to HECM. We have to keep track of [what this means for] consumer protection without limiting access to these consumers' equity."

Irwin believes perception of the industry will continue to improve in the coming year. That is, he says, "provided all participants in the reverse mortgage ecosystem continue to strive for improving customer satisfaction."

> ***"Whether it's a HECM or a proprietary product, home equity will absolutely become a more critical part of retirement in the coming year."***
>
> **—Steve Irwin**, executive vice president of NRMLA

Irwin sees an expansion of industry scope beyond the FHA-insured HECM and even proprietary reverse mortgages. "We're going to see alternative equity-release products, as well as international cross-pollination of retirement products over time," he says. "Socially, as we see the demographic trend accelerate to more homeowners entering retirement, the use of home equity will be critical. Whether it's a HECM or a proprietary product, home equity will absolutely become a more critical part of retirement in the coming year."

Part of this effort will involve making seniors more knowledgeable about retirement funding strategies, Irwin believes, a sentiment that Hopkins, the Urban Institute's Laurie Goodman and others have echoed.

"I agree 100 percent," Irwin says. "Financial literacy for retirees is critically important. There will be a continued and increasing need for that kind of outreach and information sharing. This will absolutely be one of our areas of concentration and working with our members in their efforts. From an NRMLA perspective, we are grateful and appreciative of our members' support and participation, and we will continue to advocate for them and the seniors they serve." RM

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have improved and maintained their homes over the years and have accumulated more equity as a result of higher home values," Bell added.

Bell went on to cite individual examples, concluding, "With longevity increasing and aging getting ever more expensive, homeowners need to be able to access as much of the accumulated wealth that they have built up—saved, in effect—in their homes as they can."

The second bill, titled Preventing Foreclosures on Seniors Act of 2019, makes it easier for non-borrowing spouses to remain in the home if the borrowing spouse dies or enters a long-term care facility.

The bill also strengthens loss-mitigation arrangements and requirements that those in danger of foreclosure be made aware of them, for which Cackley and Mancini strongly advocate. In addition, the bill would require HUD to report annually to Congress the number, details and percentage of foreclosures due to tax and insurance defaults.

Maxine Waters

Protect and Extend

The consensus was to support the program by improving it with further protections for seniors.

"HECM has value that must be protected and extended," Rep. Maxine Waters (D-CA), chair of the Financial Services Committee, said. "It is very important to the safety and security of seniors. But I have many stories of problems with the program."

In response, Mancini made several suggestions: Make loss mitigation mandatory and expand its options; clearly provide for extension of foreclosure deadlines to evaluate loss mitigation; remove unreasonable deadlines for Mortgagee Optional Election (MOE) assignment and expand MOE to address borrowers who have to vacate the home for health reasons; clarify procedures for post-2014 nonborrowing spouses; and improve servicer communications with borrowers.

Rather than new ideas, though, these are further refinements of processes already underway or under consideration. And as Bell pointed out, "Each time [Congress and successive administrations] have taken steps to improve the FHA reverse mortgage program, the program has emerged stronger, consumers have been given better safeguards and the FHA fund has been further protected."

Summing up the focus of the hearing in an interview with *Reverse Mortgage*, Jamie Hopkins, director of retirement research at Carson Group and a nationally recognized expert on reverse mortgages and retirement planning, says many issues have been addressed by rules and revisions to the HECM program over the years.

"In this case, the government did the right thing and made the necessary changes," Hopkins says. "And the history shows that they've worked." RM

CRMP Program: Still Going Strong

As the program continues to evolve, loan officers reflect on the benefits

By Darryl Hicks

AS THE DECADE draws to a close, NRMLA's Certified Reverse Mortgage Professional (CRMP) designation has reached an important milestone. In the spring of 2009, the CRMP was officially launched during a series of regional "road shows" in Boston, Chicago and Orlando, FL.

A lot of hype surrounded the idea of a credential for reverse mortgage professionals. As someone who was actively involved in the development of the designation and would be responsible for helping manage the program at the staff level, I was just as excited as everyone else. Dozens of people signed their names to the attendee lists so they could start earning continuing education credits—they needed 12 credits to submit their CRMP applications—and they attended a mandatory ethics workshop that lasted for three hours.

It was a long process that required a considerable investment in both time and personal income. Dozens of people accumulated continuing education credits, but only 13 individuals made it to the finish line and were part of the first class of designees announced the following year in June 2010.

Out of the original 13, five have maintained their CRMP status. Most have retired, left the reverse mortgage business or passed on. As of press time, 147 designees are spread nationwide.

Bruce Anderson, a CRMP who now works for Legacy Mortgage in Albuquerque, NM, talks about what the designation has done for his career. "The CRMP designation separated me from my local competition," he says. "I can say I have more expertise, training and experience than my competition. The information from NRMLA and continuing education provide the edge I need to keep my customers informed.

"The CRMP designation gives me credibility with other professionals—financial planners, real estate agents and other mortgage professionals—when speaking with their customers," he adds.

Anissa Palmatier stopped originating reverse mortgages in 2013 but maintained her CRMP status after becoming a wholesale account representative, first with Liberty Home Equity Solutions and today with Reverse Mortgage Funding LLC in Indiana. "I feel like the CRMP designation has been helpful to me throughout my reverse mortgage career in a few different ways," she says. "When I was on the retail side,

it helped give me credibility with seniors by letting them know I wasn't just another loan officer but someone who invested time in the reverse mortgage product to provide a knowledgeable service. On the wholesale side, I feel it gives me credibility with partners because they know I was once in their shoes and have the product knowledge to help them."

Origins

NRMLA invested two years and hundreds of thousands of dollars developing the designation. The process was guided by the highly experienced staff at Professional Testing Inc. in Orlando, and through working with a dedicated group of volunteers with expertise in operations, origination, processing, underwriting and servicing.

Two years may seem like a long time, but NRMLA wanted to adopt a thoroughly developed designation—one that would not be easy to obtain and would challenge even the most experienced professionals.

In 2007, originations of Home Equity Conversion Mortgages (HECMs) shot through the roof, growing from 76,351 in 2006 to 107,558. It was the first time HECM sales volumes exceeded 100,000 loans, but it wouldn't be the last. Originations grew to 112,154 loans in 2008 and peaked in 2009 at 114,692 loans.

As the industry grew, there were companies and loan officers selling reverse mortgages who did not understand the product and who were not acting in the best interests of their elderly clients. NRMLA hoped that the CRMP credential would distinguish the dedicated professionals from the posers so that public trust in the reverse mortgage business could be sustained.

"I felt a responsibility to my borrowers and to myself to get the CRMP," says James A. King III of McGowin-King Mortgage LLC in Birmingham, AL, who earned the designation in September 2010. "The process was reasonable and, in exchange for the work and time I put in, I feel that I've gotten something more valuable in return."

Oversight and Administration

An Independent Certification Committee (ICC) was formed early in the process to serve as a governing body that operated independently of NRMLA to implement and administer the CRMP. Brett Kirkpatrick, a CRMP with Harbor Mortgage Solutions in Braintree, MA, has chaired the committee since its beginning.

"The financial services industry has spent the last 50 years—and millions of dollars—creating, shaping and promoting the Certified Financial Planner (CFP) credential

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About the CRMP Program

The CRMP certification is the highest designation from NRMLA. Individuals who earn the CRMP have demonstrated their knowledge and competency in the area of reverse mortgage lending and a dedication to upholding highest standards of ethical and professional behavior.

While any properly licensed or registered mortgage loan originator can legally originate a reverse mortgage, CRMPs must have three years of reverse mortgage experience (or 50 originated and closed loans) and must pass a comprehensive exam and background check before they can earn the certification.

An Independent Certification Committee (ICC) was formed by NRMLA's board of directors to provide independent oversight of the development and administration of the CRMP designation. The ICC ensures that those who have earned the credential continually meet the highest standards of ethical and professional practice for the reverse mortgage industry.

Eligibility Requirements

To be eligible for the designation, candidates must:

- Have originated reverse mortgages for a minimum of three years or personally originated and closed 50 or more reverse mortgages. Non-originators must have worked in the reverse mortgage business for a minimum of three years in underwriting, processing, operations, training, title and closing services, appraising, counseling, wholesale sales, or loan servicing.
- Earn 12 credits of continuing education. Credits can be earned at NRMLA conferences or by completing online courses that have been reviewed and approved by the ICC.

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as a highly recognizable and widely trusted designation. So, as we mark the 10th anniversary of the CRMP certification, perhaps we have only just begun," Kirkpatrick says. "Our mission is to create a standard of excellence to which industry participants aspire, and on which consumers, media and regulators can rely for evidence of the most experienced, knowledgeable and ethically committed reverse mortgage professionals. The [ICC] is grateful to NRMLA's staff for their vision, their support and their relentless efforts to elevate competence within the industry and credibility without."

One of the first actions taken by the ICC was to develop the eligibility requirements. From the outset, the ICC agreed that applicants must have some level of experience in the reverse mortgage business. It would not be appropriate to allow someone who just started originating loans to obtain a professional designation, when that person may not fully understand all the important aspects of the program, including ethical behavior.

"The CRMP designation has provided respect for my knowledge as a leader among professionals. That has led to opportunities to present to attorneys, financial advisers and other organizations serving the senior community."

—**Jane Harrington**, CRMP, M&T Bank, Buffalo, NY

Many people who don't succeed initially leave the industry after one year, the ICC concluded. The ICC settled on requiring all loan officer candidates to have a minimum two years of experience originating reverse mortgages, and they had to have closed a minimum of 50 reverse mortgages.

Non-loan officer candidates had to have a minimum five years of experience in the reverse mortgage business in underwriting, processing, management and operations, title and closing services, appraisals and/or loan servicing.

The guidelines have evolved slightly over time, but candidates still are required to possess a certain level of experience and commitment to the reverse mortgage business before they can be eligible for the CRMP. (See the sidebar on page 27 for more information on the current eligibility requirements.)

Preparing for the Exam

One of the most common questions asked regarding certification is how a candidate should prepare for the examination.

There has never been a study guide. The exam questions are taken directly from mortgagee letters, U.S. Department of Housing and Urban Development (HUD) handbooks and other regulations that govern the HECM program. NRMLA provides links to these regulations in the CRMP section of NRMLA's website (*www.nrmlaonline.org*).

Candidates have printed hundreds of pages of regulations and spent weeks, even months, reading through everything before taking the examination. Others read the processing and underwriting guidelines published by their wholesale investors, which provide more updated and condensed versions of the same HECM regulations. Others don't prepare at all, take the exam and, in most cases, fail because they underestimated the difficulty of the exam.

Laura Kiel is a CRMP with Mortgage Master Service Corp. dba Kiel Mortgage and based in Kent, WA. Kiel passed the exam in May 2019 on her third attempt.

"I found the CRMP exam surprisingly difficult," she says. "I studied very hard and devoted significant time two weeks prior to the exam reading HUD handbooks, mortgagee letters and an entire underwriting manual. I told everyone about the exam and fully expected to pass. Carefully reviewing each test question at the end of the exam and changing answers as I had second thoughts to the questions, I was certain of a good outcome. It was so disappointing when the outcome was not as expected."

Kiel's third attempt was the charm. "The third time I did absolutely NOTHING in preparation for the exam. I did not tell a single person I was taking the test, as the humiliation for a third failure would be more than I could take," Kiel says. "I did not study, and I did not review or rethink a single question. I decided I knew the information, and it was not prudent to question or rethink my own knowledge. Why did I put myself through this process three times to earn the credential? Well, for me it's just personal. I want to be the best I can be."

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- Submit a letter of recommendation written and signed by a senior manager. Candidates who own their companies may ask an industry colleague who is at a senior management level to submit a letter on their behalf.
- Complete NRMLA's two-hour CRMP Ethics Workshop.
- Complete a course on preventing, detecting and reporting elder abuse. At present, this requirement can be met by completing Finance of America Reverse's online course "Financial Safeguards for Older Adults."
- Possess a current mortgage loan originator license (if applicable).
- Complete a background check. National Multistate Licensing System & Registry (NMLS) background checks are not accepted. The ICC has developed its own search criteria.
- Submit a signed consent statement attesting that they will follow the CRMP Code of Ethics (part of the online application).

FAQs

NRMLA has compiled a list of frequently asked questions that will help candidates who are interested in pursuing the CRMP designation.

Question #1: Why should I get the CRMP?

When operating in a highly competitive industry, one of the most effective ways to set yourself apart from your competitors is to obtain the CRMP designation. When a borrower sits across the kitchen table from a CRMP, he or she has an extra level of confidence in dealing with a professional who is knowledgeable and who commits to the highest ethical standards and to the placement of the client's needs above any personal gain, recognition or achievement.

Question #2: How do I get started?

Once you meet the requirement for experience in the reverse mortgage industry, your next step is to earn 12 continuing education credits. All credits must be earned within one year of submitting your CRMP application. Credits can be earned at NRMLA conferences or by completing online courses that have been reviewed and

approved by the ICC. A course list can be downloaded from *www.nrmlaonline.org/about/crmp-designation.*

The final step for most candidates is the mandatory ethics course. This course is taught in a live setting at NRMLA conferences. If your travel is restricted, NRMLA has partnered with Loan Officer School to offer a web-based, "8-Hour SAFE" course that can be submitted for eight CRMP credits and includes the required ethics training.

Question #3: What happens when I have completed my 12 CE credits and the ethics workshop?

Please email Darryl Hicks, at dhicks@dworbell.com, and he will email you instructions for submitting your CRMP application online and paying your application fee.

Question #4: Can I earn credits from completing other state or federal NMLS courses I've taken?

State-specific NMLS courses are not accepted. However, candidates can submit their most recent federal "8-Hour SAFE" course completion certificate for three of the 12 pre-application credits. The "8-Hour SAFE" course referenced here is not the one offered through NRMLA and Loan Officer School, but it is the one you complete through your local course provider.

Question #5: Where do I take the exam?

The CRMP exam is offered through Pearson VUE, which operates over 2,000 remote testing centers across the country. Details on how to schedule an exam time will be provided in the Authorization to Test letter.

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Recently, the ICC has reconsidered having a study guide. While not wanting to make the exam any easier for candidates, the ICC has acknowledged that it would be beneficial to provide a road map that helps candidates better prepare themselves.

First Class

Here is a look at the members of the first CRMP class that started working toward the certification in 2009 and who saw it through to completion a year later. They are listed in alphabetical order with the company they worked for at the time:

- Bruce Anderson of Ameriplex Mortgage, Albuquerque, NM
- Henrietta Belcher-Stack of WSFS Bank, Millsboro, DE
- Anthony Gatto of Morgan Hill Funding, Turnersville, NJ
- Clarence "Buck" Harbuck of Financial Freedom, Ormond Beach, FL
- Song Hutchins of Capital Point Funding Group Inc., Silver Spring, MD
- Karen Keating of Tradition Title Company, Bayshore, NY
- Eric Kirschbaum of All Island Mortgage & Funding, Smithtown, NY
- Ken Klawans of iReverse Home Loans LLC, Owings Mills, MD
- Roberto Nascimento of Wells Fargo Home Mortgage, White Plains, NY
- Michelle Newbold of PNC Reverse Mortgage LLC, Bloomington, IL
- Anissa G. Palmatier of PNC Reverse Mortgage LLC, Bloomington, IL
- Eric Rittmeyer of Fidelis Mortgage, Baltimore, MD
- Alain Valles of Direct Finance Corp., Hanover, MA

Enhancing the CRMP's Value

As with any endeavor, you get out of the CRMP what you put into it. In 2018, NRMLA formed a CRMP Committee to give designees the opportunity to meet by conference call once a month. The most active committee members have used this opportunity to share ideas on improving the visibility of CRMPs to the general public and to talk about current issues and trends.

Over the course of several months, new marketing materials were created, including a tri-fold brochure, titled "The Value of Working with a Certified Reverse Mortgage Professional," and a two-sided rack card, "Why Choose a Certified Reverse Mortgage Professional?" PDF copies of these materials are provided free of charge to all CRMPs after they earn the designation to hand out to prospective borrowers, family members and business professionals.

For the past several years, NRMLA has hosted an exclusive luncheon for CRMPs at the Annual Meeting & Expo that includes special guest speakers. These luncheons give CRMPs the chance to get to know each other and to develop friendships and business relationships.

"I've enjoyed networking within the CRMP club," says King. "These are committed reverse mortgage professionals with whom I can share leads and discuss solutions to issues that are unique to the reverse mortgage industry. The CRMP designation does my vetting for me."

Jane Harrington, of M&T Bank in Buffalo, NY, became a CRMP in December 2010 and has served on the ICC since 2011. "The CRMP designation has provided respect for my knowledge as a leader among professionals," she says. "That has led to opportunities to present to attorneys, financial advisers and other organizations serving the senior community. I've been invited to teach continuing education courses, based on my certification."

Harrington adds: "In practice, my knowledge has reflected well on the CRMP education as a differentiator in the reverse mortgage profession. Other reverse professionals see it as a goal to advance their careers. Management views the certification as evidence of credibility in my expertise."

If you'd like to learn more about the CRMP designation, visit *www.nrmlaonline.org/about/crmp-designation* or email *dhicks@dworbell.com*. RM

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Question #6: How do I prepare for the exam?

There is no study guide for taking the CRMP exam. The exam questions are taken directly from mortgagee letters, HUD handbooks and other regulations that govern the HECM program. We provide links to these regulations on the CRMP page at *www.nrmlaonline.org/about/crmp-designation*.

Question #7: How much does it cost to earn and maintain the CRMP?

There is a $250 nonrefundable application fee. If your application is approved, you will be provided instructions for taking the exam. If you pass the exam, the next step is to submit to an online background check, which costs $49.95 (although some states may charge more).

If you pass the background check, the final step is to pay a $175 certification fee. The certification fee is paid annually for as long as you maintain your CRMP status and must be submitted on or before the anniversary date that you earned the CRMP designation (which also appears on your CRMP certificate).

In addition to these charges, there may be other costs you may incur traveling to NRMLA events to obtain credits. It's important to view these costs as an investment in your future as a reverse mortgage professional.

Question #8: What happens if I fail the exam?

Candidates who fail the exam the first time must wait two months before they are eligible to retake it. Candidates who fail a second time must wait six months. Candidates who fail three times must wait one year before they are eligible to retake it again, and they must go through the application process again. A reexamination fee of $195 is charged for each retake.

Question #9: What ongoing requirements do I have if I earn the CRMP?

Because the reverse mortgage industry continually evolves, individuals who earn the CRMP are held to a higher educational standard. CRMPs must submit eight hours of approved continuing education credits annually. Every three years, CRMPs must retake the ethics course and submit to a new background check.

Question #10: Am I allowed to submit the "8-Hour SAFE" course for continuing education credit once I become a CRMP?

The only "8-Hour SAFE" course approved for ongoing continuing education credits is the version created by NRMLA's Education Committee and taught through the Loan Officer School. The advantage of taking NRMLA's "8-Hour SAFE" course is that you can earn all eight credits toward renewing your CRMP designation and your federal NMLS license. Completing this course also fulfills the completion of the mandatory ethics course for CRMP candidates and designees.

Question #11: Is there a logo I can use?

Yes. Once you earn the designation, a copy of the CRMP logo will be emailed to you by NRMLA staff. You can use the logo on your business cards, on your website and in your marketing. You can also list the CRMP call letters after your name.

Question #12: Does NRMLA provide any marketing materials that CRMPs can give to prospective clients?

To help prospective reverse mortgage borrowers and other professionals better understand the value of working with a CRMP, NRMLA created "The Value of Working with a Certified Reverse Mortgage Professional" tri-fold brochure and the "Why Choose a Certified Reverse Mortgage Professional?" two-sided rack card.

Both marketing pieces are customizable and highlight a designee's level of work experience, commitment to ongoing education, integrity and reliability, ethical behavior, quality of service and commitment to client satisfaction.

All CRMPs are listed on a special page of *www.reversemortgage.org*, NRMLA's consumer site, in each of the states in which they are licensed, along with their phone numbers and email addresses. RM

HECM Markets: A Region-by-Region Look

Through 2020, Reverse Mortgage will examine various markets

By Thomas A. Barstow

FOR MOST PEOPLE IN THE INDUSTRY, it would come as no surprise that California has led the nation with the number of reverse mortgages for just about every year for decades. 2018 was no different, with California garnering 9,372, according to data provided by *Reverse Market Insight.*

Compare that number to Texas, which had 3,053 HECMs—third highest in the country—in what had been a slower year for most states, including California. Any area that has seen a steady rise in home equity likely will have the strongest numbers, noted several reverse mortgage professionals.

That might seem obvious, but what else might be at play? Over the next year, the writers at *Reverse Mortgage* magazine intend to look behind some of the numbers nationwide by dividing the country into six regions—from the Southeast to the Northeast to the West and the regions in the middle—to see what issues or opportunities might be unique to those areas. In preliminary interviews in September, several loan officers in various states noted that business was picking up so far in 2019 but only in comparison to what had been a slowdown in recent years. They attribute the lower volumes to the higher interest rates last year—although still pretty low historically—but also to heavy government regulations and a need to better educate the public on the merits of reverse mortgages.

Awareness issues might be different in some parts of the country where not all products are available. HECM for Purchase wasn't available in Texas until 2013, one loan officer pointed out. And then different regions of the country might have people who are more conservative about debt or more cautious about what they might see as a complex loan product. Some people might seek a reverse mortgage to meet basic needs, such as budget shortfalls, home maintenance or healthcare. In other areas, the motivation might be an opportunity to make lifestyle choices, something that might be more appealing to younger generations as they approach and then reach retirement age. And HECM for Purchase might have appeal in one market and not another. Such nuances will be among the questions we will explore through 2020. We might not get all the answers, but it will be interesting to see what people are saying about their regions.

Meanwhile, some companies have opted to branch out into forward mortgages, while others are looking at proprietary reverse mortgages to grow. Those specialty reverse products might be ripe for development in some areas but not everywhere, several experts noted. Others still strongly believe in the core HECM products and have no intention of veering too far from them, so we will want to know what they will do to educate the new crop of retirees who would benefit from HECMs. And not all options are available in all states.

In Tennessee, for example, state laws are written in a way where proprietary reverse mortgages are not allowed, an issue that Mike Holton, president of New Castle Mortgage LLC, discusses as part of a question-and-answer article (page 12) in this edition of *Reverse Mortgage.*

In Minnesota, proprietary products are not currently being offered, either, but efforts are underway to determine what might be needed to clear the way, says Beth Paterson, CRMP, executive vice president of Reverse Mortgages SIDAC LLC based in St. Paul. Such products could help because Minnesota, like other parts of the country, saw a decline in volume last year. In 2018, Minnesota had 374 loans, which was down from 475 in 2017 and a peak of 1,245 in 2007, according to statistics from *Reverse Market Insight.* "This year, we are doing better," Paterson says.

HECM Leaders

Here are the top ten states for HECMs in 2018, according to *Reverse Market Insight*, followed by the peak number and the year it peaked. Other than Colorado and Arizona, the states are along a coast:

9,372 – California – Peak: 23,920 in 2006
3,643 – Florida – Peak: 19,779 in 2008
3,053 – Texas – Peak: 7,495 in 2009
2,330 – Colorado – Peak: 3,355 in 2017
1,823 – Washington – Peak: 3,377 in 2009
1,644 – Arizona – Peak: 4,354 in 2007
1,629 – New York – Peak: 6,468 in 2009
1,083 – Pennsylvania – Peak: 3,989 in 2008
1,058 – Oregon – Peak: 3,076 in 2009
1,019 – North Carolina – Peak: 2,019 in 2009

"But our volume is never what it is in other states, and that is just omething I accept."

Modern technology gives her flexibility to work remotely, but she prefers to meet with clients face-to-face and within the state. "Minnesota nice" is a real thing among the state's residents, Paterson says, but it is her preference to get to know clients. Most personal finance is complex, and she will meet with clients alone or "at the dinner table with their seven or eight kids" to completely explain the process.

"I just believe they best understand when I meet with them and explain it in person," Paterson says. After 20 years of doing reverses, she has no desire to branch into forward mortgages. "I just want to stick with my niche, and I know it and know it well."

She is eager to see a loosening of rules involving condominium markets, something that should help loan officers nationwide. She agrees that the motivations of her customers largely are similar to those everywhere: Clients want to age in place near family and friends, and the equity in their home offers the opportunity to do so.

In Maryland, the situation is the same. Some people

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might move to warmer climes, but many older borrowers just want to remain close to their families, says Patty Wills, CRMP, sales development manager for Open Mortgage LLC in Ellicott City, MD. A traditional HECM gives them that option. A HECM for Purchase is available, she adds, but the loan is generally not on the radar for most realtors. "There's just not the market acceptance there quite yet," Wills says.

That isn't the case in Florida, or even South Carolina, where HECM for Purchase tends to be a lure. David R. Heilman, CRMP, and owner of Homegrown Financial LLC in Charleston, SC, says he has been able to help seniors moving to coastal South Carolina from states out West and in the Northeast, which typically carry larger property charges. According to Heilman, many inquiries are from seniors who already have a reverse mortgage but who have enough equity after selling to have a down payment to do the reverse for purchase.

"I just had two couples moving from western U.S. states close this week," Heilman says. Their new home in South Carolina has everything they wanted but with lower property taxes and insurance. "It's a cost thing. Plus, they had family over here, too, so that helped."

South Carolina's numbers peaked in 2009 at 1,472 reverse mortgages but have been generally declining, hitting 612 in 2018, *Reverse Market Insight* reports.

Tom Hedderich

Other states also have benefitted from people relocating from higher-cost areas. Tom Hedderich, a senior vice president overseeing the reverse mortgage business for Hallmark Home Mortgage LLC in Indianapolis, says he has had a few clients looking to relocate to Indiana, including one from Northern California.

They want to be near family but also are drawn by the lower cost of housing, Hedderich says. One took out a HECM shortly after paying cash for a house in Carmel, IN, which the client had seen on a *Forbes* magazine list of desirable places to live in the U.S. "Indiana is a very reasonable place to live," Hedderich says.

Of course, not everyone is leaving high-cost states. California, for example, has seen 204,028 reverse mortgages through 2018, more than any other state. It peaked at 23,920 in 2006. And if you are doing reverses there, many reasons account for why the state leads most years, including the culture and natural beauty, as well as the prices.

"In California, the values are so high," says Christina Harmes Hika, CRMP, assistant manager of the reverse division for C2 Financial Corp. in San Diego County. She notes that the decision to do a reverse is much more involved than simply looking at how far the dollars will stretch. Aging in familiar communities becomes important to people facing their golden years. "Their family, friends and churches are here."

The ability to use an HECM for Purchase also means that some markets in the Mid-Atlantic or Northeast are attractive to people in higher-cost neighboring states. Retirees in Pennsylvania might complain about high property taxes, but retirement income is not taxed, and there is no sales tax on food or clothing. The state often attracts people from more costly communities in New Jersey and New York, while southern Pennsylvania draws interest from homeowners in the pricey suburbs of Baltimore and Washington, D.C., said Dennis Cronin, a reverse mortgage professional with American Advisors Group in Lancaster, PA.

Dennis Cronin

Cronin sees the state potentially attracting retirees who want to be surrounded by nature but close to urban centers such as New York, Philadelphia and Washington. "You don't get that in Kansas or Iowa or Alabama," he says.

One common observation—no matter what the location—appears to be that the industry needs to continue to fight against the negative connotations of HECMs and spread the word about how they truly can help people age in place. That especially has been true, several experts note, as the Baby Boomer generation has entered retirement with needs and desires much different than their parents. For one, boomers aren't as concerned about debt. That means new marketing approaches with this vast market.

"There are millions of seniors who are having a lower quality of life that they don't need to have," says Kent Kopen, a loan officer for United American Mortgage Corp. "For many of them, it is a sound solution." RM

Joel Berg, a freelance writer and editor based in York, PA, contributed to this report.

Standing Tall With a Reverse Mortgage

By Jessica Hoefer

LIKE MANY OF HER GENERATION, 77-year-old Freddie Smith says she grew up in a society noticeably different from today, one where women were marginalized and dependent.

Freddie was born and raised in the foothills of the Smoky Mountains in Walland, TN, married young and moved to Atlanta with her new husband to start a family. She had a son and daughter with her first husband, but they divorced after 20 years. As a single mother who was never able to finish college, the commanding Freddie—in both life and stature; she's six feet tall and still wears high heels—decided that, "If I was going to make a man's wages, I would have to work a 'man's' job."

To support herself and her family, Freddie hung drywall and drove a tractor. Both were well-paying jobs with retirement benefits, but when those companies went belly-up so did Freddie's retirement. Through odd jobs and persistence, the determined Freddie learned what true independence meant, and she loved it.

After moving back to Tennessee with her children in 2003, Freddie remarried for several years before becoming widowed. That's when she began to struggle again. Freddie inherited her favorite aunt's house and found herself on the verge of losing that home. The money she'd wisely set aside to pay her taxes was selflessly lent to a family member in need and never repaid, leaving Freddie in a precarious situation. Refusing to burden her children and with no options left, Freddie filed for disability and started driving a cab to make ends meet. She confided in her cousin who, as luck would have it, knew something about reverse mortgages and took Freddie to see Loren Riddick, a Certified Reverse Mortgage Professional and national director of reverse mortgage lending at Thrive Mortgage.

Based on her life experiences, the fiercely independent Freddie finds it hard to trust others readily. But, "Loren is like family. I just trusted him right away. After seeing how Loren interacted with people and how he treated them, I knew I was in the right place," she says.

Freddie Smith (right) and Jerry met through an event sponsored by their lender.

But Freddie also found empowerment in her reverse mortgage. And, as a self-proclaimed advocate for women, she has become a huge supporter of reverse mortgages, for single women in particular. "I have talked to a lot of people about reverse mortgages. It's important that they know," she says. "Women my age weren't taught to be independent. I just wish I'd figured it out sooner."

Once her reverse mortgage was finalized, Freddie took half of the money and set it aside to pay her taxes so that she could avoid getting into the type of debacle she did before. The other half was earmarked for a used car. Freddie lived without a car for several years. In fact, up until three years ago, she was still riding her own motorcycle. (She is involved with the Legion Riders that supports and celebrates children's hospitals, education, veterans and Gold Star families.) She currently lives off her Social Security income, but the reverse mortgage has afforded Freddie the flexibility needed to live worry free.

Now retired, Freddie spends her days working on her art—she prefers landscapes and acrylics but jumps at any

opportunity to be creative—participating in Legion Riders events and socializing at Loren's Senior Freedom Events. Loren hosts two events each year, which attract previous clients and anyone interested in learning about reverse mortgages. There are door prizes, live music (performed by senior citizens), food and socializing. In recent years, Freddie has attended a number of these events. According to her, Loren is somewhat of a matchmaker. Among the couples Loren has introduced at these gatherings is Freddie and her boyfriend, Jerry.

Jerry, a 75-year-old widower, and Freddie have been an item for two-and-a-half years. Jerry also obtained a reverse mortgage from Loren. Freddie helped Jerry update his house to make it more modern. "The area where Jerry lives, Alcoa, is growing rapidly and a renovated/modified home will only help increase the value," she says. "So, I told him exactly what he needed to do to his house."

Though they've discussed marriage and co-habitation, Freddie feels it's in her best interest to remain unmarried and independent. "The benefits of my reverse mortgage and living on Social Security are better for me as a single woman than a married one," she says.

Freddie is hoping that eventually Jerry will decide to sell his house and move in with her. But for now, they continue to live in their own homes, each with a reverse mortgage, while splitting time between the two.

Freddie Smith is a member of the Legion Riders.

More than anything, Freddie wants other women to know how empowering a reverse mortgage can be. And even though the circumstances that led her to it were dire, Freddie truly relishes the freedom her reverse mortgage has allowed her to maintain. RM

Who's Who in Reverse Mortgages

Member News

Class Valuation Announces New CEO

Class Valuation, an appraisal management company based in Troy, MI, promoted John Fraas from president to chief executive officer. Former CEO Mike Detwiler was named executive chairman. Class Valuation was acquired by Narrow Gauge Capital in partnership with Detwiler in March 2018. "John Fraas has focused on driving operational efficiencies and improving customer service over the past two years and has proven his ability to lead organizational change while the company has experienced tremendous growth," Detwiler said. "We have been tremendously thoughtful in our investments in people, technology, and processes. I am confident there is no better person to continue to lead our innovation and growth initiatives than John Fraas—and he will do so while retaining focus on the service model that has enabled us to become an industry leader."

New AAG Commercial Focuses on Proprietary Reverse Mortgages

American Advisors Group released a new commercial titled "Change" featuring spokesperson Tom Selleck. The first-of-its-kind television spot unveils AAG's latest proprietary product offering, the Advantage jumbo reverse mortgage loan, which is aimed at more affluent seniors who can seek loans of up to $4 million. "Change" will air nationally across major cable networks, such as Bloomberg, CNBC and Fox Business. AAG's Advantage loan is available in: Arizona; California; Colorado; Connecticut; District of Columbia; Florida; Georgia; Hawaii; Idaho; Illinois; Louisiana; Michigan; New Jersey; Nevada; Ohio; Oregon; Pennsylvania; Rhode Island; South Carolina; Texas; Utah; and Virginia. It will be available in additional states soon.

Profiles of Member Companies

American Advisors Group (AAG)

American Advisors Group (AAG) is the nation's leader in reverse mortgage lending, licensed in 49 states. The company, founded in 2004 by CEO Reza Jahangiri, is headquartered in Orange, CA. We are dedicated to helping American homeowners leverage their home equity as an asset to help fund retirement.

AAG is accredited by the Better Business Bureau, has a 97 percent customer satisfaction rating and is a proud member of the National Reverse Mortgage Lenders Association (NRMLA).

Jahangiri serves as the association's co-chairman and co-chairs NRMLA's Policy Committee.

Fraser Tod, ftod@aag.com
866-964-1109 • Please visit AAG.com/Wholesale

Celink

People – We are a team of committed and ethical reverse mortgage servicing professionals and subject matter experts.

Platform – ReverseServ™ is Celink's proprietary reverse mortgage servicing platform.

Process – Celink manages thousands of line of credit requests, files hundreds of claims to HUD, and may process between two to 5,000 monthly prepayments, foreclosures, due & payables, and T&I defaults.

Partners – Celink has long-term and mutually profitable relationships with very reputable names in the reverse mortgage industry.

Passion – Celink is dedicated to its clients, their borrowers, and the reverse mortgage industry-at-large.

Contact: Katie Rizzo, Director of Client Relations
517-703-1857 • www.celink.com

Finance of America Reverse LLC

FAR is the nation's #1 wholesale reverse mortgage lender and one of the largest issuers of GNMA securities. FAR's commitment to customer service is more than "just business." We strive to foster a personal rapport as our staff treats you and your customers as one of the family.

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Jonathan Scarpati, VP
516-445-9465 • jscarpati@fareverse.com
www.farwholesale.com

HighTechLending

HighTechLending, dba American-Senior, is a FHA, Full Eagle Mortgage Bank, holding GNMA and FNMA approvals and specializing in retail, reverse and wholesale platforms. Based in Irvine, CA, we have over 50 branches and are licensed in 19 states nationwide. Since its founding by Don Currie and Erika Macias-White in 2007, HighTechLending has become a Top 10 HECM lender nationwide, and the second largest in California. With over 35 years in the mortgage industry, Don Currie's vision is continuing to expand its national reverse footprint with confidence and integrity and always maintaining the perfect branch platform thanks to its exceptional staff, efficient operations and commitment to seniors.

Contact: Adrian Prieto, VP Wholesale and Branching
888-369-1573 • www.HTLWholesale.com

Liberty Home Equity Solutions

For over a decade, Liberty Home Equity Solutions, Inc. (Liberty) has been committed to helping seniors gain financial independence and security through Home Equity Conversion Mortgage (HECM) loans. Based in Sacramento, CA, Liberty is one of the nation's largest and most experienced lenders, focusing exclusively on providing HECM loans to senior clients and wholesale business partners. We have helped change the lives of over 51,500 clients, and have provided education and lending solutions to over 1,000 business partners across the U.S.

www.libertyhomeequity.com
For career opportunities call 916-589-1853
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When you partner with Longbridge, your firm will be part of an exclusive group of high-quality lenders that do business with us. Our approach to the business is different; our Gold Program includes an industry-leading pricing plan that pays for both the drawn and the undrawn portions of the HECM ARM loan. This allows you to originate low-draw loans that might otherwise be uneconomical, expanding your market and better serving the needs of your customers.

Peter Sciandra, 214-701-0973 • www.longbridge-financial.com

LRES

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

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

National Field Representatives

Reverse Mortgage Field Services

Dealing with reverse mortgages is complex.

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

Contact: Margie Schagen, mschagen@nfroline.com
Tel: 800-639-2151 x2220 • www.NFROnline.com

PRC

Premier Reverse Closings (PRC) is a national, full-service, reverse mortgage title and settlement company that has closed more than 190,000 reverse mortgage transactions. PRC is experienced in all facets of the reverse business, ranging from teaching CRMP courses to closing and notary initiatives. PRC is a well-respected industry partner committed to our clients, our industry and senior borrowers.

Angel Booth, Senior Sales Executive – Toll Free: 800-542-4113 Ext. 5223, Sales@PRClosings.com

Reverse Mortgage Funding LLC (RMF)

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

For wholesale opportunities: Call 877-820.5314 or visit partners.reversefunding.com
For career opportunities: Email careers@reversefunding.com

By the Numbers: Tennessee

With the Annual Meeting & Expo in Nashville this month, we took a closer look at some of the state's figures

Total reverse mortgages through 2018: **15,716**

Total in 2018: **715**

Best year: 2009, with 1,587

The most since the best year:
1,418 in 2013

The fewest since the best year:
715 in 2018

First year:
1990, with 4

Lowest years:
0, in 1992 and 1993

Source: Reverse Market Insight

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