September-October 2018
Volume 11, No. 5

Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association

NRMLA: *20 Years of Advocacy*

The Policies, the People, the Companies, the Impacts

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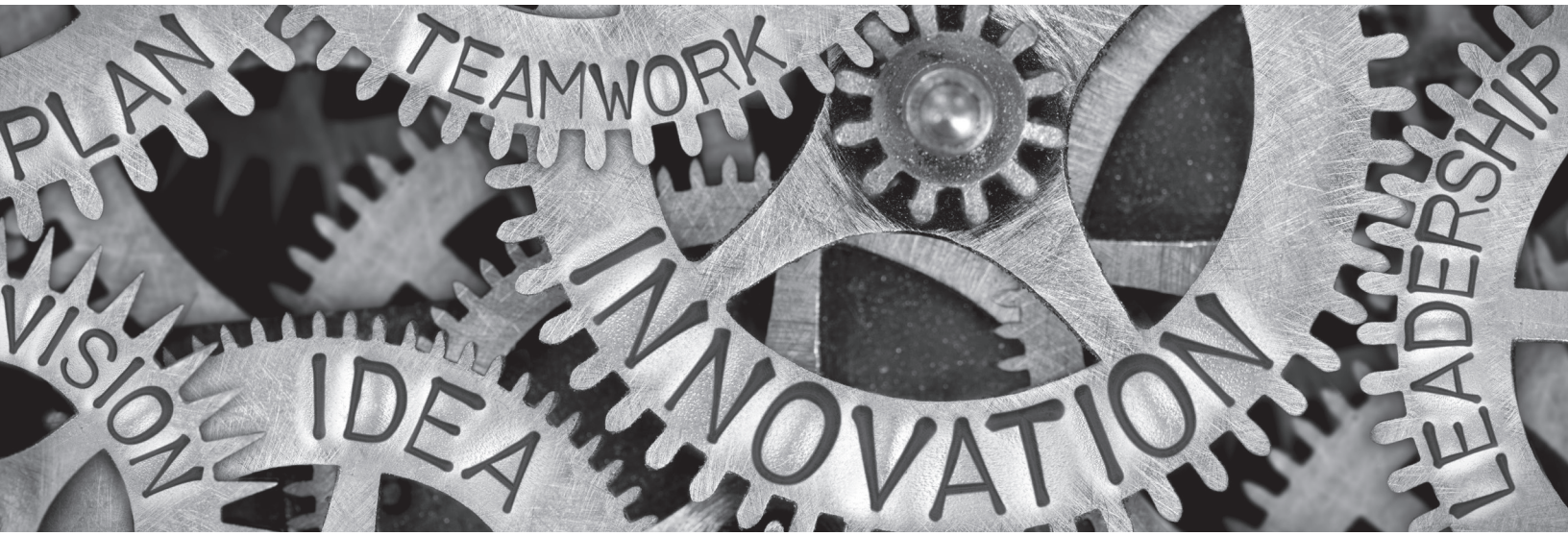

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Contents

PUBLISHER
Peter Bell
pbell@dworbell.com

EDITOR
Marty Bell
mbell@dworbell.com

ASSOCIATE EDITOR
Darryl Hicks
dhicks@dworbell.com

COMMUNICATIONS COORDINATOR
Jessica Hoefer

STAFF WRITER
Mark Olshaker

EXECUTIVE VICE PRESIDENT
Stephen Irwin

DIRECTOR OF PUBLIC RELATIONS
Jenny Werwa

NRMLA EXECUTIVE COMMITTEE CO-CHAIRS
Joe DeMarkey, Reverse Mortgage Funding
Reza Jahangiri, AAG

DESIGNER
Lisa Toji-Blank, Toji Design

ADVERTISING SALES
Sarah Aaronson
Sarah@IRMEvents.com

Reverse Mortgage is the official publication of the National Reverse Mortgage Lenders Association. The magazine is published every two months. For inquiries regarding association membership and/or magazine subscriptions, please call Linda Latimore at 202-939-1793. Advertising and editorial inquiries should be directed to 202-939-1745 or mbell@dworbell.com.

Association & Subscription Contact:
National Reverse Mortgage Lenders Association
1400 16th St., NW, Suite 420
Washington, DC 20036
202-939-1760
llatimore@dworbell.com
Industry: www.nrmlaonline.org
Consumers: www.reversemortgage.org

Advertising & Editorial Contact:
National Reverse Mortgage Lenders Association
1400 16th St., NW, Suite 420
Washington, DC 20036
202-939-1760
mbell@dworbell.com

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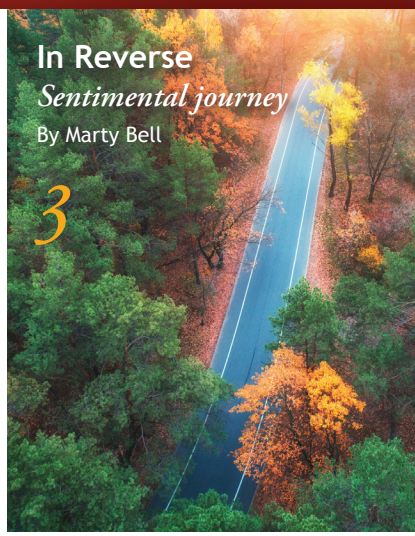

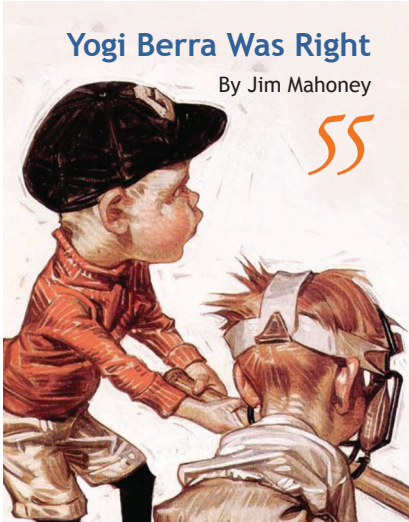

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EQUAL HOUSING LENDER NRMLA MEMBER

Sentimental Journey

MAGAZINES TEND TO THRIVE ON THE NEW. (THEY don't call it "news" by accident.) As editor of this publication, I have certainly spent most of my time playing in that ballpark. I love when we find anything that's new to report on – new policies, new products, new members, new jobs, new marketing. Lay it on us.

In business, we tend to focus on the future. We want to progress, move forward, be ahead of the curve, not behind it. But every once in a while, it can be helpful to take a look back. Henry Ford's best known quip may be, "History is bunk," but he also said, "Life is a series of experiences, each one of which makes us bigger, even though sometimes it is hard to realize this. For the world was built to develop character, and we must learn that the setbacks and grieves which we endure help us in our marching onward."

We're a sentimental society and occasions, particularly anniversaries, often inspire nostalgia. And so we thought, this being the end of the 20th year of NRMLA, we would take the opportunity for us to stop the lunge forward, just for a little while, and look at how we got here. Hopefully, the successes of the past are the maps for more success in the future and the mistakes of the past are difficult but useful life lessons.

For this journey to our past, we dug into our archive of communications files. Much of what you will find in these pages has appeared previously in one of NRMLA's publications. But putting it all together tells the story of the evolution of our industry and our organization.

In these pages you'll find highlights (the creation of HMBS and the passage of the Stabilization Act), as well as lowlights (Senator McCaskill's assault and our own October surprise). You'll find extensive borrower and potential borrower research, as well as an anecdotal cross country look at impacts on borrowers' lives. You'll find names of people (Ken Scholen, Nicolas Retsinas) and companies (anyone remember Wells Fargo?) that were likely once an integral part of your daily conversation but no longer cross your lips or your minds.

For those of you who have been here awhile, this dosage of nostalgia might brush you up on reverse mortgage industry trivia and even evoke a sigh of relief that those days are all behind us. To those of you who got on board at a recent stop, this look back can provide a deeper understanding and appreciation of the people who laid the groundwork that has provided you with opportunity.

Though some of this is specifically industry oriented (or inside baseball), we hope it is also a tool of value you can use to educate older adults and their families about the evolution of reverse mortgages and the careful thinking that has gone into creating a retirement support alternative, the stream of changes based on observing borrower experiences that have improved the product, and the ongoing devotion of people in the industry to making it better.

No business exists in a vacuum; they are all continuums. We did not get here by accident. What is happening today is based on what was done yesterday.

Marty Bell, *Editor*

The Evolution of an Industry

By Peter Bell, President & CEO of NRMLA

Peter Bell

Peter Bell has been the president and CEO of NRMLA and an aggressive advocate for the reverse mortgage industry since the association's inception. He created this publication in 2008 and has contributed a column to each issue. Recently he wrote: "When we first launched Reverse Mortgage magazine, I named my column 'Balanced Viewpoint' because I thought it was important, in NRMLA's role as an industry advocate, to always acknowledge the views of others whom might not see things the same. Politics… is based upon the art of compromise and NRMLA is very much a political organization." The following excerpts from Peter's columns trace the issues that have faced the industry:

2008

In Their Shoes

"As the reverse mortgage business experiences growth, intensified competition and an influx of new participants, while being scrutinized by the media, advocacy groups and policymakers, our perspective on ourselves is important."

Accentuate the Positive

"Enactment of the 2008 Housing and Economic Recovery Act presents…an opportunity to create a fresh news cycle, one that focuses on the improved features in the Home Equity Conversion Mortgage program, as well as on the consumer safeguards that have been set in place to address the concerns that were voiced during the Senate hearing."

Three Point Protection Plan

"Lawmakers…question the accountability of our industry. As a result, several new provisions governing the reverse mortgage business became law as part of the Housing & Economic Recovery Act of 2008 (HERA). It is important for us to understand the inclination of lawmakers to want to be proactive in this area and not necessarily fight their efforts…"

2009

First-Rate Advocacy

"The reverse mortgage business has been overrun with a steady and persistent stream of change over the past year—new loan limits, HECMs for Purchase, policy changes at both Fannie Mae and Ginnie Mae, new regulations on both the federal and state levels. Even as I write this, we are awaiting more changes, such as a new counseling protocol from HUD and perhaps an appropriation to cover FHA's potential losses for 2010 in the program."

Can Losing Be Winning?

"Part of the problem with HECMs…is that they are terribly misunderstood. As a result, it has been hard to build consensus on the positive contribution reverse mortgages make to the economy and to the individual lives of borrowers and their families. The silver lining is that the HECM topic is now on many decision-makers' radars."

2010

The Only Thing Constant in the RM Business is Change

"There has been a significant shift in how reverse mortgages are viewed by consumer advocates, policymakers and the press that will shape the market…Now we are not only deemed to be part of the mortgage market, but also, by extension, subject to all of the concerns arising from practices that led to the subprime meltdown. We also have graduated from being a niche issue to a significant 'senior issue,' bringing with it a broader set of concerns about a protected class of consumers."

Embrace Change for a Bright Future in Reverse Mortgages

"The most often cited drawbacks to reverse mortgages… has been the perception that the upfront costs to get into a loan have been high. A combination of movement in the investment markets and HUD's plan to implement what has been referred

***Balanced Viewpoint** continued on page 6*

Balanced Viewpoint continued from page 5

to as the 'two-product solution' take that criticism head on, providing several options for borrowers to obtain reverse mortgages with little or no upfront cost."

Riding the Cyclone

"This year's policy front opened with notice in the administration's budget that a credit subsidy of $250 million would be needed for the HECM program. We worked with HUD, Congress and other industry groups to get legislation passed giving FHA greater flexibility in adjusting its programs to make them more self-sustaining and able to manage risk, paving the way for a 're-calibration' of HECM and other FHA programs."

2011

A Call for Member Advocacy

"In developing the budget for FY 2012, the Office of Management & Budget and HUD have determined that recent program changes, plus an improving economic outlook, will result in HECM generating enough revenue to cover the cost of claims."

Recent Events Equate to Opportunity

"Compliance issues, coupled with the possibility of jeopardizing FHA approval for the much more robust forward mortgage business, led banks to conclude that reverse mortgage origination was not an appropriate undertaking at this particular point in time."

A Passionate and Healthy Debate About Our Future

"The change over time in who utilizes HECMs and why has made it necessary to re-examine some of the accepted practices in HECM production. In addition to placing the HECM program on sound financial footing and helping build broader political support for it, I believe that the net result of adding the element of Financial Assessment will actually be to help build volume."

2012

Invest with Confidence

"Ginnie Mae is providing investors in reverse mortgage securities with a level of confidence they need to be interested."

2013

In Search of Stability

"From the creation of the Saver in 2009 and the enhancement of counseling with the addition of Financial Interview Tool (FIT) and BenefitsCheckUp, we seemed to have erased criticisms of the past and replaced them with new points of view—especially those of academic researchers focused on retirement saving."

Our Responsibility

"In August, I had the honor of going to the White House to witness the signing into law of the Reverse Mortgage Stabilization Act by President Obama. Its enactment signals bipartisan acknowledgement that reverse mortgages are an important option for older Americans and that the HECM program should remain viable and relevant."

2014

Eliminating the Flack

"HUD…has two important initiatives in the works that…will help further the objective of getting rid of practices that harm the overall impression of the HECM program and reverse mortgages in general, Financial Assessment and policy on non-borrowing spouses."

Seize the Opportunity

"The message we are trying to put forth is that reverse mortgages, the HECM program…is a continually evolving tool and that HUD, Congress and the reverse mortgage industry make refinements to the program as we learn from borrower experience how reverse mortgages can be best deployed and used effectively to ensure the survivability of households' financial assets to fund longevity."

Avoiding Crossfire

"Things look calm on the HECM policy front. Granted, we face organizational challenges and market transition as we incorporate Financial Assessment into our operations…At the same time, however, HUD now feels that the program enhancements required to manage FHA's risk have been set in place. Its budget team has affirmed this and forecast that the program will return to a revenue neutral…status next year."

2015

Pogo's Proposition

"Oftentimes, we feel misunderstood by the press, policymakers and the public at-large. Since this is not an infrequent occurrence, maybe it's time to accept the fact that, as the cartoon character Pogo once said, 'We have me the enemy and he is us.' Perhaps our own efforts at communication all need to be enhanced."

2016

A New Year of Change and Opportunity

"Growth has been elusive to us the past few years. This is attributable to fear and misunderstanding that consumers possess about us, fueled by dubious press coverage and a dearth of educational information about who we are and what we do."

A vote for your business

"As little as the federal role in housing is understood by critics, HECM is even less understood, making it more vulnerable to efforts to shrink (or eliminate) FHA. Because the HECM program relies upon continual legislative extension of the program's authorization cap annually, the opportunity exists for FHA's critics to mount an attack."

Knowing the Costs of Aging

"Perhaps the most important thing we can bring to clients trying to plan for their retirement is a deep and comprehensive understanding of the requirements and vicissitudes of aging."

2017

We have work to do

"This year…our focus includes how the government accounting and actuarial processes evaluate the program, implementation of the new regulations, the need for resolution of the items left unaddressed in the final rule and steps that might be taken to manage the program on a more cost-efficient basis so it can operate at a financially self-sustaining level."

Let's Help Ourselves and Build Trust in What We Do

"Many of our activities are aimed at trying to overcome this deficit of acceptance. Many activities, from our Code of Ethics & Professional Responsibility, our consumer website and 'Roadmap to a Reverse Mortgage,' our Certified Reverse Mortgage Professional designation, consumer information pamphlets, industry education sessions, press outreach, our new partnership with LexisNexis to maintain a platform called MIDEX, whereby lenders can verify the integrity of business partners, vendors and prospective employees, and the NRMLA working group on consumer experience, have all been undertaken to help address this deficit of trust."

Health, Housing and Reverse Mortgages

"The Affordable Care Act called for a transformation in the nation's health delivery system and encouraged widespread innovation. A hot topic that arose is social determinants of health…Highest on the list of critical determinants is housing. A good, familiar home environment could improve overall health and even extend life. Having the means to afford to remain in your home in retirement can mean a better later life – and reverse mortgages help support that."

2018

On Balance

"The initial impetus for forming NRMLA was to develop a vehicle for the ongoing exchange of ideas with elected officials, political appointees and career government staffers. Each has its own perspective, its historical observations, its priorities, its biases and its concerns. To effectively advance our cause we must consider all perspectives." RM

In Your Own Words

By Darryl Hicks

A TRADE ASSOCIATION IS A CONNECTOR AND FACILI-itator. An industry magazine is a conversation. We've been listening to all of you. Personally, I've been here at NRMLA listening for 19 years now. In our *Talking Heads* feature and other formats, we have reached out to you to hear your thoughts and share them with your colleagues. We've listened to lenders, brokers, loan originators, marketers, servicers, a wide range of government officials, including FHA commissioners, to just about everyone.

The conversation has been energetic – at times, eager and optimistic; at others, not so. At times, content; at others, not so.

The following are some of the thoughts you have shared with our industry over these past 20 years on a wide range of topics. Together, they express the journey we have shared (thus far) as the reverse mortgage industry:

The product

We think of HECM as a small-scale program, because it only has two to three percent market penetration, but that is still a relatively large number compared to other nations. HECM is still the program most nations try to emulate.

Ed Szymanoski, Associate Deputy Assistant Secretary for Economic Affairs, HUD (2016)

Managing the [HECM] program during the housing crisis was akin to a boxing match. You had a left uppercut, a right hand to the chin, then a punch to the stomach. And yet the HECM product kept getting up. It was almost like Rocky. And it's still out there. I'm optimistic that HECM will have its day in the sun again.

Brian Montgomery, Assistant Secretary for Housing/Federal Housing Administration Commissioner (2017)

The demographics have been shifting, attracting younger borrowers – couples with higher incomes that are not necessarily financially strapped and who are using HECM as a financial planning tool. That's progress.

David Stevens, Assistant Secretary for Housing/Federal Housing Administration Commissioner (2010)

Consumers are still receiving mixed messages about reverse mortgages, and one of our first priorities has to be to turn this perception around.

Michael Hyman, Wendover Financial Services (1998)

It's so upsetting to hear people making negative comments about reverse mortgages. If they could only hear the seniors' stories. This product saves peoples' lives.

Meg Burns, Director, Single-Family Program Development, U.S. Department of Housing and Urban Development (2009)


Ed Szymanoski


Brian Montgomery


David Stevens


Michael Hyman


Meg Burns


John LaRose


Jeffrey Taylor


Joe Morris


Jim Brodsky

The average senior borrower requires more explanation, more patience, but those of us who service this product understand and accept this responsibility willingly.

John LaRose, CEO, Celink (2011)

The industry

I remember on the way home (from our first NRMLA meeting) thinking, with the stroke of a pen, we put a lobbyist in Washington, we have an address in a prominent location, and our little organization has come alive. That was exciting. Had we not organized the lenders, looking at the challenges of the industry today, I doubt there would be an industry.

Jeffrey Taylor, Founding Chairman, NRMLA (2015)

(Adopting a Code of Ethics and Professional Responsibility) was a huge step in the right direction to set standards and let everybody know that we're serious about professional service and taking care of these senior citizens.

Joe Morris, Chairman, Ethics Committee (1998)

(Mortgage brokers entering the reverse mortgage business) is good for seniors, because it enables them to get advice about reverse mortgages from a greater number of resources. A by-product of this entire effort is that lenders should be able to originate more loans.

Jim Brodsky, Weiner Brodsky Kider, PC (2001)

If more people adhered to NRMLA's Best Practices and achieved the Certified Reverse Mortgage Professional (CRMP) designation and really think about the product being a financial tool for seniors, as opposed to a product for those in need, I think we could see a dramatic shift in the market and the sky could be the limit.

Steve McClellan, Urban Financial of America (2014)

NRMLA and our industry are doing a better job of informing the financial planning community, but when the financial planners of the world fully understand this product, that is when the business is really going to take off.

George Lopez, James B. Nutter and Company (2013)

It's important we show a cohesive, rather than a conflicting, point of view in front of the rest of the world. Over the last two to three years, we have evolved from being a somewhat disjointed industry to one that is more aligned. Things have certainly shaped up in terms of pulling together resources and backing NRMLA.

Reza Jahangiri, American Advisors Group (2014)

Advocacy

NRMLA reshaped Congress' perception of reverse mortgages, which led to important legislation being passed to help the industry grow, while at the same time protecting consumers.

Jim Mahoney, Celink (2014)

[NRMLA President and CEO] Peter [Bell] understands relationship building. When I was assistant secretary for Congressional and Government Affairs at HUD, I remember he would come in all the time, without specific issues, just to discuss the progress of the program and the industry.

Melody Fennel, Fennel Consulting (2013)

Every individual in the reverse mortgage space should visit one state or federal representative each year. Most people still don't know what a reverse mortgage really is, so any opportunity you have to help educate someone in the state legislature or Congress can be very beneficial.

Scott Norman, Finance of America Reverse (2016)

As professionals who serve older homeowners, we have a special responsibility to ensure the safety and fair treatment of seniors. NRMLA's new brochure on recognizing and reporting elder financial abuse, which we encourage all members to print and share widely, is another example of our work to raise awareness about the increasing number of financial crimes perpetrated against seniors and steps we can all take to report mistreatment.

Steve Irwin, Executive Vice President, NRMLA (2018)

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Steve McClellan


George Lopez


Reza Jahangiri


Jim Mahoney


Melody Fennel


Scott Norman


Steve Irwin


Carol Galante


Jim Milano

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Policy

When you hear [about] changes to the HECM program, I would really ask you to keep in mind that this is all…to ensure that we are creating and maintaining a sustainable product for both the FHA fund, and a sustainable product for the seniors who will use that product.

Carol Galante, Assistant Secretary for Housing/Federal Housing Administration Commissioner (2011)

We do not expect the CFPB aggressive enforcement approach to stop and they have been active in enforcement in the mortgage space. In the reverse mortgage space, based on past actions and publications, it is clear that they have had a focus on reverse mortgage marketing and advertising, and we do not expect that to stop or slow down.

Jim Milano, Weiner Brodsky Kider, PC (2016)

It's important that seniors are provided adequate counseling by trained HUD-approved counselors, who don't just pick up the phone and say, 'you know this loan,' then talk for five minutes and then they're done. If people are going to use the HECM program they need to understand that there are potential issues. They need to be able to make a knowledgeable decision."

Charles Gardner, Director, FHA Atlanta Homeownership Center (2004)

(Counselors) act as an advocate for our clients...We can help them push back and get them the help they need and are qualified for.

Teresa Tourek, Housing Counseling Manager, Take Charge America (2011)

TALC (Total Annual Loan Cost) tells the truth about what a reverse mortgage actually costs. It provides the single best and most inclusive cost disclosure in the whole field of real estate finance.

Ken Scholen, National Center for Home Equity Conversion and AARP (2000)

As a member of NRMLA's PR Committee, we see the impact that Financial Assessment is having on positive and neutral news coverage. At the end of 2016, 94 to 95 percent of the press coverage of reverse mortgages was positive or neutral. That's great. It shows that people are taking a more serious look at reverse mortgages.

Jean Noble, Reverse Mortgage Funding LLC (2017)

The increased safety measures Financial Assessment puts in place protect the customers by ensuring they have the financial capacity to pay future taxes and insurance, and our focus is always the customer.

Kristin Sieffert, Finance of America Reverse (2016)

There has been a huge amount of change, most of which could not have been implemented without the benefit of the Reverse Mortgage Stabilization Act. I think these are all driving the program in the right direction and we're getting back on solid ground.

Kathleen Zadareky, Deputy Assistant Secretary, HUD (2014)

I'm a freshman, in the minority, who got a bipartisan bill through both houses [of Congress]. I'm told that's only the second time that's happened in 20 years.

Congressman Denny Heck (D-WA), on co-sponsoring the Reverse Mortgage Stabilization Act of 2013 with his colleague Congressman Mike Fitzpatrick (R-PA). (2013)

The market

The keys to long-term success in this business are not in dropping the largest direct-mail campaign or in taking out the most TV or print ads or in sending out CDs. You gain success by doing what is right by your customer, so that you have a happy customer who will refer business to you.

Sarah Cavanaugh, Seattle Mortgage Company (2010)

This is a people business, not a numbers business. There is more to the process than just filling out the paperwork and sending the customer off to a closing alone so they can be overwhelmed.

Henrietta Belcher-Stack, WSFS Bank (2011)


Charles Gardner


Teresa Tourek


Jean Noble


Kristin Sieffert


Kathleen Zadareky


Congressman Denny Heck (D-WA)


Sarah Cavanaugh


Henrietta-Belcher-Stack


Mark Browning


Rob Wyatt

The biggest thing we can do as an industry is maintain a laser focus on the customer experience through the entire cycle.

Mark Browning, Home Equity Conversion Corp. dba HomeChex (2017)

I'm finding that more adult children are very concerned about their parents' well-being, and believe the reverse mortgage can provide stability.

Rob Wyatt, West Coast Guaranty Bank (2001)

Realtors can play a critical role in bringing in new business. I used to think that they were my competition. But I've since learned that if we work together, we can help each other out.

Ken Sawan, Unity Mortgage Corporation (2000)

Every person you talk to, whether it's a group of realtors, CPAs or financial planners, yes, all these people have clients, but they also have parents, grandparents, aunts and uncles, people they know who may have a financial problem.

John Lucas, GMAC Mortgage (2005)

I've been doing business in California for 16 years. The industry has continually developed and changed. And the marketing practices have changed. So, you need to change with it.

Dean Jones, Bank of America (2010)

HMBS

We have a lot invested in the HMBS, just like you, and we want to make it succeed. We want our issuer base to be as broad and as strong as it can be. The more people we have using HMBS, the more viable the HECM program will be, which is hopefully a better price that we can pass on to seniors.

Ted Tozer, President, Ginnie Mae (2011)

The investor base for HMBS has expanded and become global. It's the same group of banks, mutual funds, hedge funds, insurance companies, etc., that buy forward Ginnie Mae securities. The fact that there is still strong demand for HMBS is a good sign for the future of the industry.

Michael McCully, New View Advisors (2015)

The future

We are largely the only game in town and it would be nice if the private market could develop some products. I think you'd have a healthier market if it wasn't all government.

Edward Golding, Principal Deputy Assistant Secretary for Housing, HUD (2015)

The reverse mortgage industry is still young. There's a lot of opportunities to innovate and grow. I see many ways to use new software tools to help lenders grow revenue, bring more dollars to the bottom line and be more efficient. I'd like to make that happen and fill a need that is not currently being met.

John Button, ReverseVision (2013)

In five years, I think we'll have a new industry. HECM will still be a major component of the business, but I would expect to see more private sector options. More forward and traditional lenders will be using reverse mortgages in their mix. And NRMLA will play an essential role providing education and ethics guidance to this market to help all of that work.

Patty Wills, Open Mortgage Corporation (2017)

In conclusion

While we must adapt our policies, practices and approaches to align with new challenges and even greater opportunities, I am grounded by the fact that what we offer, what we do day in and day out, and what we represent to those who seek financial security and peace of mind in retirement, means more to them than we'll likely ever know.

Cheryl MacNally, Wells Fargo Home Mortgage (2010)

Unlike in forward mortgages, in the reverse mortgage business it sometimes takes an extraordinary effort to take care of a senior who needs help. But that's what makes this an extraordinarily rewarding business.

Barry Scoles, Vectra Bank (2009) RM

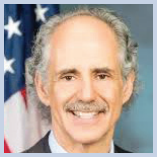

Ken Sawan


John Lucas


Dean Jones


Ted Tozer


Michael McCully


Edward Golding


John Button


Patty Wills


Cheryl MacNally


Barry Scoles

Deliberate Development

A Brief History of the HECM Program

On May 9, 2012, NRMLA president and CEO Peter Bell testified at a reverse mortgage hearing called by the House of Representatives Subcommittee on Insurance, Housing and Community Opportuniy. Other speakers included NRMLA members Jeff Lewis of Generation Mortgage Company and Daniel Fenton of Money Management International, as well as HUD Deputy Assistant Secretary Charles Coulter. Hearing participants are asked to submit a written testimony in addition to their oral presentation. As part of his written testimony, Bell included this history of the HECM program.

THE DEVELOPMENT AND IMPLEMENTATION OF THE Home Equity Conversion Mortgage program was a deliberate and thoughtful process.

The first reverse mortgage loan is generally thought to have been made privately in 1961 by Nelson Haynes of Deering Savings & Loan in Portland, ME, to a widow named Nellie Young. Over the next 20 years, various studies and surveys were conducted to explore the viability of such a product, most notably those by Yung-Ping Chen of UCLA and Jack Guttentag of The Wharton School and largely driven by Ken Scholen, then working with the Wisconsin Board on Aging, who wrote three books on the subject.

In 1980, the concept was first presented to the federal government by Scholen, who received funding from the Administration on Aging for a Home Equity Conversion project. The following year, the White House Conference on Aging, attended by leaders of organizations serving the senior sector, endorsed the creation of a Federal Housing Administration mortgage insurance program for reverse mortgage loans. It was another nine years before the first FHA-insured reverse mortgage was issued. During this time more studies and hearings on the viability and need for such a program continued both in Washington and in many states.

In 1983, the Senate approved a proposal by Senator John Heinz, (R-PA) for the creation of FHA insurance for reverse mortgages and a Senate/House conference committee called for a Department of Housing and Urban Development study of the idea. In 1985, HUD held a conference on the subject, but when they issued their study in 1986, it opposed a federal reverse mortgage demonstration program.

The following year, AARP offered a critique of HUD's decision, written by Scholen. And then in 1987, in the 100th Congress' mammoth Housing and Community Development Act, the HUD, secretary was directed to conduct a demonstration program for insuring reverse mortgages. President Reagan signed the act into law.

The National Housing Act of 1987, Section 255, outlined the specifics of the demonstration program. The purpose of the program was "to meet the special needs of elderly homeowners by reducing the effect of the economic hardship caused by increasing costs of meeting health, housing and subsistence needs at a time of reduced income, through insurance of home equity conversion mortgages to permit the conversion of a portion of accumulated home equity into liquid assets." Among the requirements contained in the original statute were:

- Adequate third-party counseling that included explanations of other financial options;
- A fixed or variable interest rate or future sharing between the mortgagor and the mortgagee of the appreciation in value of the property, as agreed upon by the mortgagor and the mortgagee;
- A list of disclosures to be delivered at least ten days before closing;
- A guarantee to borrowers that they would be protected against disappearance of their lender and obligations beyond the value of their home at sale by the General Insurance Fund; and
- Scheduled reports to Congress.

To create the new product, HUD created a development team under the auspices of Judith V. May. The team was led by economist and mathematician Ed Szymanoski, Jr., who at the time ran the annual actuarial review of HUD's home mortgage insurance fund, and included Patrick Quinton, Donald Alexander and Mary Kay Roma. They had no model to work from. So they built a simulation model to analyze the actuarial risks the FHA insurance fund would be exposed to under various scenarios. As Szymanoski later told reporter Atare Agbamu, "Innovations from our initial design recommendations included the first-ever two-part premium structure for an FHA program (two percent up front and 50 basis points annually), a two-dimensional "principal limit" factor (by borrower age and interest rate) that is used as an effective limit on HECM LTVs (Loan-to-value), and formulas for borrowers to set up their own customized payment plans—allowing maximum flexibility in choice among monthly payment streams, lines of credit or combination plans with both." All of this initial modeling remains a working part of the program today.

The history of the HECM program demonstrates that its participants have been admirably thoughtful, careful and responsible.

The pilot program was careful and initially limited to 2,500 loans through 1991. The first FHA-insured Home Equity Conversion Mortgage (HECM) was issued October 19, 1989 to Marjorie Mason of Fairway, KS. HUD selected 50 lenders by lottery to make the first HECMs. The FHA sponsored 14 two-day counselor training sessions conducted by Scholen and Bronwyn Belling of AARP. And Fannie Mae announced its intention to purchase the mortgages insured by the FHA. In the first year (1990), 157 loans were closed. In the second year (1991), 389 loans were closed. The program grew slowly as it found its footing.

The original statute had called for evaluations of the program by HUD staff on a timely basis. The first one in 1992 was followed by a further evaluation in 1995.

The goals of the demonstration were to (1) permit the conversion of home equity into liquid assets to meet the special needs of elderly homeowners, (2) encourage and increase participation by the mortgage markets in converting home equity into liquid assets, and (3) determine the extent of demand for home equity conversions and types of home equity conversion mortgages that best serve the needs of elderly homeowners.

The 1995 report stated, "The Demonstration has made significant progress toward achieving each of these goals,

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although more time will be necessary to complete the work."

This report also addressed the adequacy of the mortgage insurance premium for the first time and concluded the present value of the premiums collected exceeded the value of insurance claim losses.

When the program was launched, deliberation continued and it was closely observed. Over the subsequent 20 years, Congress would amend the statute nine times, sometimes simply to clarify wording, others to alter substance. Changes would include:

- In 1990, the volume cap was changed from 2,500 loans by the end of Fiscal Year (FY) 1991 to 25,000 loans by the end of FY 1995;
- In 1996, the restriction on securing the loan with a single-family residence was changed to also include a one-to-four-family residence in which the mortgagor occupies one of the units; the aggregate number of loans insured was changed twice from 25,000 through FY 1995 to 30,000 through FY 1996 and then to 50,000 through FY 2000;
- In 1998, in the HUD Appropriations Act, the word "demonstration" program was struck and the program became permanent; the aggregate number of mortgages that could be insured was raised to 150,000;
- In 2000, refinance of existing HECMs was authorized and rules created for implementation that included requiring a Good Faith Estimate of costs and permitting a credit for previous upfront mortgage insurance premium against the new premium;
- In 2005, the volume cap was raised from 150,000 loans to 250,000 loans;
- In 2006, the volume cap was raised from 250,000 loans to 275,000 loans; in the Home Equity Act of 2006, regional loan limits for HECMs were eliminated and a single national loan limit equal to that of the Freddie Mac loan limit (then $417,000) was created;
- In 2008, the Housing and Economic Recovery Act included provisions introduced by Senator Claire McCaskill (D-MO). Limits were placed on origination fees; cross selling of other financial products as a condition for obtaining a reverse mortgage were prohibited; rules assuring independence of counselors from lenders were strengthened; the establishment of qualification standards for counselors and a new counseling protocol by mid-2009 was called for; HECM insurance was shifted from the General Insurance Fund to the Mutual Mortgage Insurance Fund (MMI); a provision to permit a waiver of upfront insurance premiums when proceeds are used to purchase a qualified long-term care insurance policy was eliminated; and the HECM for Purchase program, which authorized use of these funds for the purchase of principal residences, was created; and:
- In 2009, as part of the American Relief and Recovery Act, loan limits were increased to 150 percent of the Freddie Mac limit or $625,500.

In 1997, just prior to the program being made permanent, the reverse mortgage lending community sought a voice to represent its interests in Washington and the National Reverse Mortgage Lenders Association was formed. With a new promise of a prolonged future, and perhaps partially due to the existence of an industry-wide professional organization, the business began to multiply rapidly. In 2001, NRMLA had 32 member companies and about 7,800 loans were closed. By 2005, we had 370 members and over 43,000 loans were closed. By 2007, volume would go over 100,000 loans per year, where it remained for three years.

In 2007, Ginnie Mae introduced its HECM Mortgage-Backed Securities program (HMBS). In November of that year, the first HMBS pool was offered by Goldman Sachs. In Ed Szymanoski's last report on the demonstration program written in 2000, he reported a high level of satisfaction among HECM borrowers. In 2007, AARP reported that 93 percent of borrowers surveyed had a good experience with their loans. In 2010, research conducted by Marttila Strategies for NRMLA reported that 90 percent of surveyed borrowers felt no pressure to proceed, 90 percent did not feel they were misled in any way or given wrong information, 80 percent said they were likely to recommend the product to a family member and more than 50 percent said they could not meet their monthly expenses without their HECM.

Despite the rapid growth of the industry and the high level of contentment among borrowers, HUD and the industry did not retreat from the responsibility of perpetual re-evaluation and frequent refinements. During this past decade of growth:

- Loan Limits have been frequently adjusted to keep up with home prices and needs;

- Loan to value ratios (Principal Limit Factors) have been adjusted to protect the FHA Mutual Mortgage Insurance Fund (MMI);
- The counseling process has been enhanced by the new protocol requiring the addition of the Financial Interview Tool to evaluate a potential borrower's means to live up to the loan's obligations and BenefitsCheckUp.org, to see what other financial help might be available to them;
- Introduction of an exam and continuing education requirements for all HECM counselors to make sure they fully understand the mechanics of the product, as well as changes that are implemented over time;
- New products, including the HECM Saver and the HECM for Purchase, have been designed and introduced to serve consumers with different needs;
- The mortgage insurance premium has been increased to protect the MMI;
- HUD, the Federal Trade Commission and NRMLA have worked together to discourage inappropriate and misleading advertising language.

Both our government partners and our members have had a laser focus on providing the most helpful product to America's seniors delivered with the highest ethical values and integrity. At the same time, they have adjusted the program when necessary to keep it aligned with the requirements of and maintain the security provided by FHA insurance.

The history of the HECM program demonstrates that its participants have been admirably thoughtful, careful and responsible. The program has resulted in the growth and development of an important financial management tool that we are able to offer because of the sharing of risk between the public and private sectors. RM

The Evolution of the HECM

How 11 FHA Commissioners changed the program over 30 years By Darryl Hicks

BRIAN MONTGOMERY IS NOW SERVING HIS SECOND stint as assistant secretary of Housing/Federal Housing Administration commissioner. While the secretary of Housing and Urban Development directs the nation's housing policies, it is the FHA commissioner who oversees the day-to-day management of single-family programs, such as the Home Equity Conversion Mortgage. We thought we could learn something about what to expect in the future by looking at the changes made by previous commissioners.

Over its 30-year history, 11 assistant secretaries of Housing/Federal Housing commissioners have helped shape HECM.

The groundwork began with the Housing and Community Development Act of 1987, which was sponsored by Senate Banking Committee Chairman William Proxmire (D–WI) and signed into law by President Ronald Reagan on February 5, 1988. The new housing law authorized the secretary of Housing and Urban Development to create a demonstration program for insuring up to 2,500 Home Equity Conversion Mortgages through September 30, 1991.

The statute required HUD to publish proposed regulations within nine months. The Office of Policy Development and Research was assigned this task and Judy May was put in charge of the development team, which included the late Edward Szymanoski, who is widely regarded as the father of the HECM program.

Once the HECM program went live, it became the responsibility of the FHA Commissioners to monitor its progress, implement changes that made it more efficient and competitive in the marketplace, while at the same time maintaining the viability of the FHA insurance fund. We listed all of the FHA commissioners who served from 1988 to the present, along with some of their achievements.

FHA Commissioner Thomas T. Demery (1986-1989)

- Eight months after the '87 Housing Act became law, and one month ahead of schedule, HUD published a proposed rule on October 25, 1988 that outlined HECM policies and procedures. These guidelines would become Handbook 4235.1.
- The very first HECM mortgagee letter informed lenders that a notice would be published in the *Federal Register* the following month inviting them to participate in the demonstration program. ***(Mortgagee Letter 1988- 38; December 22, 1988)***

Catherine Austin Fitts (1989-1990)

- HUD updated Handbook 4235.1, added new mortgage documents and provided instructions for complying with Regulation Z (Truth-in-Lending Act) and state laws. ***(Mortgagee Letter 1990-17; May 29, 1990)***
- The final rule implementing the HECM demonstration program was published on June 9, 1989 and became effective on July 24, 1989.
- The first HECM reverse mortgage closed on October 19, 1989 by James B. Nutter & Company, based in Kansas City, MO.

Arthur J. Hill (1990-1993)

- HUD submitted the first congressionally-mandated report to Congress in October 1990 on the status of the HECM demonstration program. The department stated that potential demand for reverse mortgages was "substantial" and the program was growing steadily.
- The Omnibus Budget Reconciliation Act of 1990, signed by President George H.W. Bush on November 5, 1990, increased the HECM cap to 25,000 loans and extended the expiration date to September 30, 1995. HUD implemented these changes two months later, and added two new disclosures. ***(Mortgagee Letter 1991-1; January 10, 1991)***

Nicolas Retsinas (1993-1998)

- FHA made further changes and clarifications to Handbook 4235.1. For example, the portion of the loan origination fee that could be financed by the borrower was increased to $1,800 and the monthly fee charged by servicers was capped at $30 for fixed rate and annually adjustable loans. ***(Mortgagee Letter 1993-22; July 19, 1993)***
- FHA made HECM eligible for the Direct Endorsement program, which allowed lenders to underwrite and close loans on their own without prior HUD review or approval. Lenders also had to comply with new Truth-In-Lending requirements. ***(Mortgagee Letter 1995-54; November 13, 1995)***
- HECM was extended through September 30, 2000, the volume cap was increased to 50,000 loans and two- to four-unit properties were added to the list of eligible property types. ***(Mortgagee Letter 1996-15; April 10, 1996)***
- FHA capped the maximum servicing fee that could be charged for monthly adjustable HECM reverse mortgages at $35. ***(Mortgagee Letter 98-3; January 8, 1998)***

William C. Apgar (1998-2000)

- FHA prohibited estate planners from charging fees to consumers for information about reverse mortgages that could be obtained free of charge. ***(Mortgagee Letter 99-2; February 18, 1999)***
- FHA announced it would start insuring HECM reverse mortgages made in Texas, however, payment options were restricted to lump sum, monthly term and monthly tenure. ***(Mortgagee Letter 00-9; March 8, 2000).***
- The HECM program was made permanent and the loan cap raised to 150,000 loans.
- The origination fee was increased to the greater of $2,000 or two percent of the maximum claim amount. ***(Mortgagee Letter 2000-10; March 8, 2000)***
- FHA modified the HECM loan documents, so that loans could be made in Texas. ***(Mortgagee Letter 2000-34; August 30, 2000)***

John C. Weicher (2001-2005)

- FHA permitted lenders to "lock-in" the expected interest rate for up to 60 days. ***(Mortgagee Letter 2003-16; September 24, 2003)***
- FHA introduced an anti-churning disclosure, new counseling requirements, and lowered the mortgage insurance premiums for refinance customers. ***(Mortgagee Letter 2004-18; April 23, 2004)***
- FHA clarified permissible activities prior to counseling and entities eligible to provide counseling, and prohibited steering of borrowers to specific counselors. ***(Mortgagee Letter 2004-25; June 23, 2004)***
- To accommodate homeowners with limited mobility and health conditions, FHA allowed borrowers to be counseled over the phone. FHA also reduced the number of HUD-approved HECM counseling agencies that had to be disclosed to borrowers, from the entire state list down to five counseling agencies, one of them being within easy driving distance. ***(Mortgagee 2004-48; December 30, 2004)***

Brian Montgomery (2005-2009)

- To meet the growing demand for reverse mortgages, FHA created a national telephone counseling network that included AARP, National Foundation for Credit Counseling and Money Management International. ***(Mortgagee Letter 2005-44; November 1, 2005)***
- FHA authorized the Line of Credit option for borrowers in Texas. ***(Mortgagee Letter 2006-06; March 17, 2006)***
- FHA doubled the expected interest rate "lock-in" period to 120 days. ***(Mortgagee Letter 2006-22; August 31, 2006)***
- FHA recommended, but did not require, that non-borrowing spouses and children who lived at home participate in the counseling session. FHA clarified that lenders could use automated valuation models and conduct preliminary title searches prior to counseling. ***(Mortgagee Letter 2006-25; September 28, 2006)***

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- Borrowers were given the option to meet with the lender and the housing counselor by telephone. ***(Mortgagee Letter 2007-08; April 27, 2007)***
- FHA permitted lenders to use the one-year LIBOR index for calculating the interest rate adjustments on annually adjusting HECM reverse mortgages and the ten-year LIBOR swap rate for calculating the expected interest rate on LIBOR-indexed HECMs. ***(Mortgagee 2007-13; October 12, 2007)***
- Lenders are permitted to originate HECMs with a fixed interest rate. ***(Mortgagee Letter 2008-8; March 28, 2008)***
- HUD-approved HECM counselors are permitted to charge for their services, but FHA capped the fee at $125. ***(Mortgagee Letter 2008-12; May 6, 2008)***
- To protect consumers, FHA prohibited lenders from requiring clients to purchase insurance or other financial products as a condition for getting a HECM reverse mortgage. ***(Mortgagee Letter 2008-24; September 16, 2008)***
- To keep counseling impartial, FHA prohibited lenders from making financial contributions to HUD-approved counseling agencies either by lump-sum payment or on a case-by-case basis. ***(Mortgagee Letter 2008-28; September 29, 2008)***
- FHA implemented the HECM for Purchase program following passage of the Housing and Economic Recovery Act of 2008, giving consumers the option to downsize and use a reverse mortgage to purchase better housing. ***(Mortgagee Letter 2008-33; October 20, 2008)***
- FHA updated origination fees by creating a tiered structure based on the maximum claim amount. Fees are capped at $6,000. ***(Mortgagee Letter 2008-34; October 31, 2008)***
- Instead of having HECM loan limits vary by county, FHA adopted a single national loan limit of $417,000. The limit was 150 percent higher in Alaska, Guam, Hawaii and the Virgin Islands. ***(Mortgagee Letter 2008-35; November 6, 2008)***
- FHA raised the HECM national loan limit from $417,000 to $625,500 giving homeowners living in higher-cost areas, like California and New York, the ability to access more equity. ***(Mortgagee Letter 2009-7; February 24, 2009)***
- To protect consumers, FHA reiterated that borrowers must initiate counseling, without assistance from lenders. Counselors also had to start conducting budget analyses so that they could evaluate and discuss appropriate alternatives to a HECM. ***(Mortgagee Letter 2009-10; March 27, 2009)***

David Stevens (2009-2011)

- To protect the insurance fund, FHA updated the principal limit factors that are used to calculate loan amounts. ***(Mortgagee 2009-34; September 23, 2009)***
- FHA established the HECM Counselor Roster and created an exam which all counselors had to pass if they wished to counsel seniors on the HECM program. ***(Mortgagee Letter 2009-47; November 6, 2009)***
- FHA clarified that only state and local court judgments and judgment liens could be subordinated to a HECM reverse mortgage. ***(Mortgagee 2009-49; November 18, 2009)***
- FHA revised the HECM Loan Agreement and Fannie Mae Form 1009 ***(Mortgagee 2010-07; March 1, 2010)***
- FHA introduced the HECM Saver to give consumers a lower-cost product option. ***(Mortgagee Letter 2010-34)***
- The housing and economic collapse led to increased delinquencies among HECM borrowers who could no longer afford to pay mandatory obligations, such as property taxes and homeowners insurance. FHA responded by creating new loss mitigation tools that servicers could use to help cure delinquent loans. ***(Mortgage Letter 2011-1; January 3, 2011)***
- Because HECM reverse mortgages are getting more complex, counseling sessions are taking longer. In response, HUD allowed counseling agencies to increase their fees, but stipulated that counseling fees be waived if the prospective borrower's income falls below 200 percent of the federal poverty level. ***(Mortgagee Letter 2011-9; February 4, 2011)***

Carol Galante (2011-2014)

- FHA added ClearPoint Financial Solutions, Neighborhood Reinvestment Corporation and Springboard to the list of national intermediaries that provide telephone counseling. Lenders are reminded that they must provide a list of all intermediaries, plus five local agencies (at least one within driving distance) and that they are not permitted to steer borrowers to any specific counselors. ***(Mortgagee Letter 11-26; August 12, 2011)***
- FHA launched Home Equity Reverse Mortgage Information Technology (HERMIT) which helped automate the submission of insurance claims, assignments and FHA insurance premiums. ***(Mortgagee Letter 2012-17; September 11, 2012)***
- Borrowers wanting a fixed interest rate are now limited to the HECM Saver option. ***(Mortgagee Letter 2013-1; January 30, 2013)***
- FHA took extraordinary steps to sustain the HECM program by: 1) limiting initial loan disbursements at closing to 60 percent of the available loan proceeds; 2) requiring lenders to conduct Financial Assessments of every borrower to ensure they have the financial capacity to pay mandatory obligations, such as taxes and insurance; 3) recalculating insurance premiums based on upfront disbursement levels; 4) eliminating HECM Saver and Standard and creating one product option with principal limit factors similar to HECM Standard. ***(Mortgagee Letter 2013-27; September 3, 2013)***
- FHA published the Financial Assessment and Property Charge Guide that documented the process lenders must use to underwrite a borrower's income, expenses and assets to determine whether a Life Expectancy Set-Aside was necessary ***(Mortgagee Letter 2013-28; September 3, 2013)***
- Responding to questions raised by NRMLA following the publication of Mortgagee Letter 2013-27, FHA clarified the financial assessment process ***(Mortgagee Letter 2013-33; September 25, 2013)***
- FHA implemented new consumer protections that allowed eligible non-borrowing spouses who were underage and not on the title to the property when the loan was made to remain in the home after their spouse had passed away. This policy change only impacted new loans made on or after August 4, 2014. ***(Mortgagee Letter 2014-07; April 25, 2014)***
- FHA took steps to reduce false and misleading advertising practices related to the offering of HECM reverse mortgages. ***(Mortgagee Letter 2014-10; June 18, 2014)***
- FHA responded to HECM product innovations developed by the private sector that it felt jeopardized the sustainability of the insurance fund. FHA clarified that it would only insure fixed-rate HECMs that had a single, full draw at closing and no future draws. ***(Mortgagee Letter 2014-11; June 18, 2014)***
- FHA published new principal limit factors that included lower ages for non-borrowing spouses ***(2014-12; June 27, 2014)***

Biniam Gebre (2014-2015)

- FHA consolidated and revised policies issued in Mortgagee Letters 2013-27 and 2013-33. FHA updated Mortgagee Letter 2014-11 by clarifying that a borrower with a fixed interest rate HECM could be reimbursed for the costs of materials, under certain conditions, when repairs must be completed after loan closing. ***(Mortgagee Letter 2014-21; November 10, 2014)***
- FHA made further revisions to the HECM Financial Assessment and Property Charge Guide. ***(Mortgagee Letter 2014-22; November 10, 2014)***

Evolution of the HECM continued on page 20

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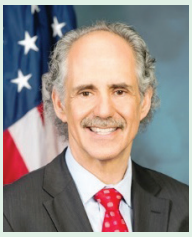
- FHA required lenders to identify at application any current non-borrowing spouses and determine whether they are eligible or ineligible for a deferral period once the HECM borrower passed away. ***(Mortgagee Letter 2015-02; January 9, 2015)***
- FHA delayed until April 27, 2015 the effective date that lenders must start conducting financial assessments, in order to accommodate companies that continued to update and adapt their loan origination systems ***(Mortgagee Letter 2015-06, February 26, 2015)***
- FHA established a monthly growth rate for Life Expectancy Set Asides and clarified a discrepancy between the HECM Financial Assessment and Property Charge Guide and the model HECM Financial Assessment Worksheet transmitted with Mortgagee Letter 2014-22. ***(Mortgagee Letter 2015-09; March 27, 2015)***

Edward Golding (2015-2016)



- FHA updated its due and payable and loss mitigation policies and procedures. Both sets of policies supported the goal of keeping HECM borrowers in their homes whenever possible, while protecting FHA's Mutual Mortgage Insurance Fund if a default cannot be cured. ***(Mortgagee Letter 2015-10 and Mortgagee Letter 2015-11, April 23, 2015)***
- FHA granted protections to eligible non-borrowing spouses for loans originated prior to August 4, 2014. ***(Mortgagee Letter 2015-15; June 12, 2015)***
- FHA granted mortgagees multiple extensions to identify loans in their portfolios that had to be called due and payable, or first legal action initiated, because they were in a technical default status and had no way of being cured. ***(Mortgagee Letter 2015-26; October 16, 2015; Mortgagee Letter 2016-01; January 12, 2016)***
- FHA provided servicers with new options to cure loans in technical default for non-payment of property taxes and homeowners insurance in lieu of calling them due and payable or proceeding with foreclosure. ***(Mortgagee Letter 2016-07; March 30, 2016)***
- FHA clarified sections of the Financial Assessment and Property Charge Guide, re-calculated the growth rate for Servicing Fee Set-Asides by using the Note Rate and added the Third-Party Property Tax Verification Fee to the list of allowable fees and charges. ***(Mortgagee Letter 2016-10; July 13, 2016)*** RM

Reverse Mortgages as a Solution

The Results of NRMLA's Consumer Experience and Perception Study

By John Martilla, Martilla Strategies

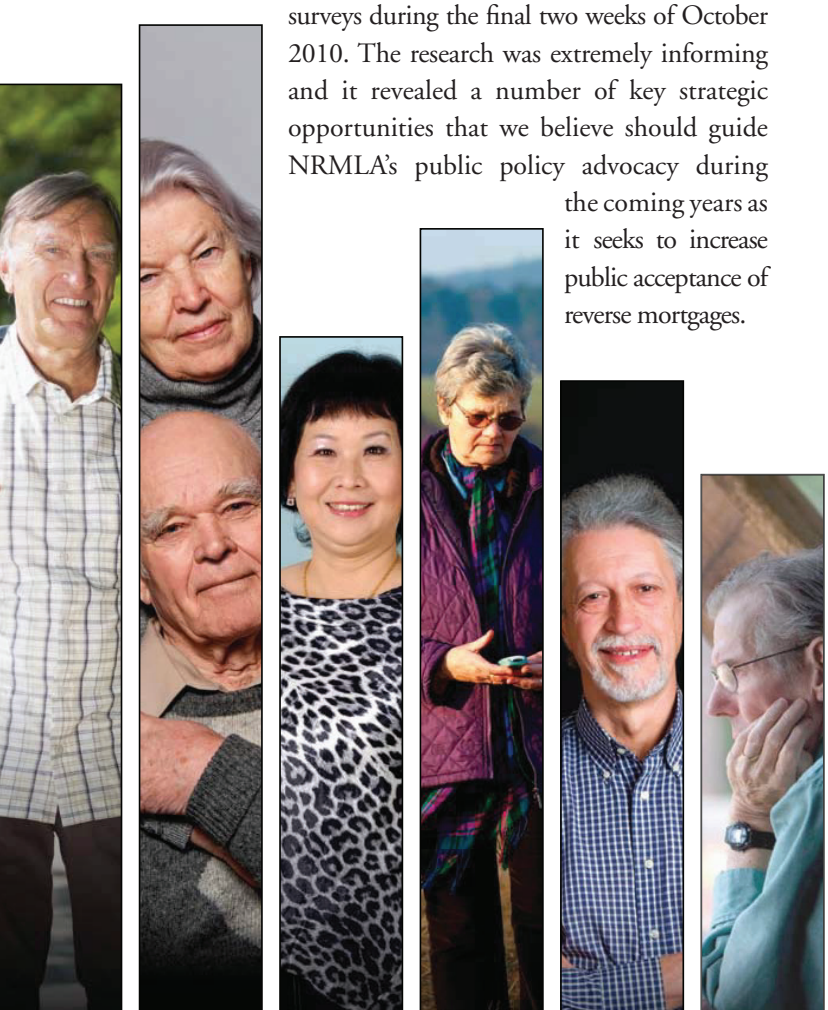
(Originally published in March 2011)

NATIONAL HEADLINES CONTINUE TO DECRY THE poor state of the nation's economic climate. These news stories do an excellent job of capturing the public's collective fiscal anxiety, but rarely convey what individuals can do to empower themselves and alter their own personal financial landscapes.

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

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

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



Six Focus Groups: September 28-30

Three demographic cohorts were targeted for research:

(1) Seniors (62+) who have held a reverse mortgage for a minimum of two years;
(2) Seniors (62+) who own their own home, whose mortgage balance is no more than 50 percent of their home equity, but who do not hold a reverse mortgage; and
(3) Adults (45+) with at least one surviving parent. Respondents indicated that their parents owned their homes and that they believed the mortgage balance on their parents' homes was no more than 50 percent of their home equity.

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

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

- Seniors (and their adult children) are deeply worried about the current economic situation, and the consistent sentiment is that the nation is facing "tougher times" ahead.
- An overwhelming majority of seniors think that their best financial strategy is for them to pay their bills and not worry about leaving an inheritance. Their adult children agreed.
- Seniors want to stay in their homes for the rest of their lives; and

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

Research continued from page 21

- More than 40 percent of the respondents worry that they will not have enough money in the future to lead the kind of life they would want.

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

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

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

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

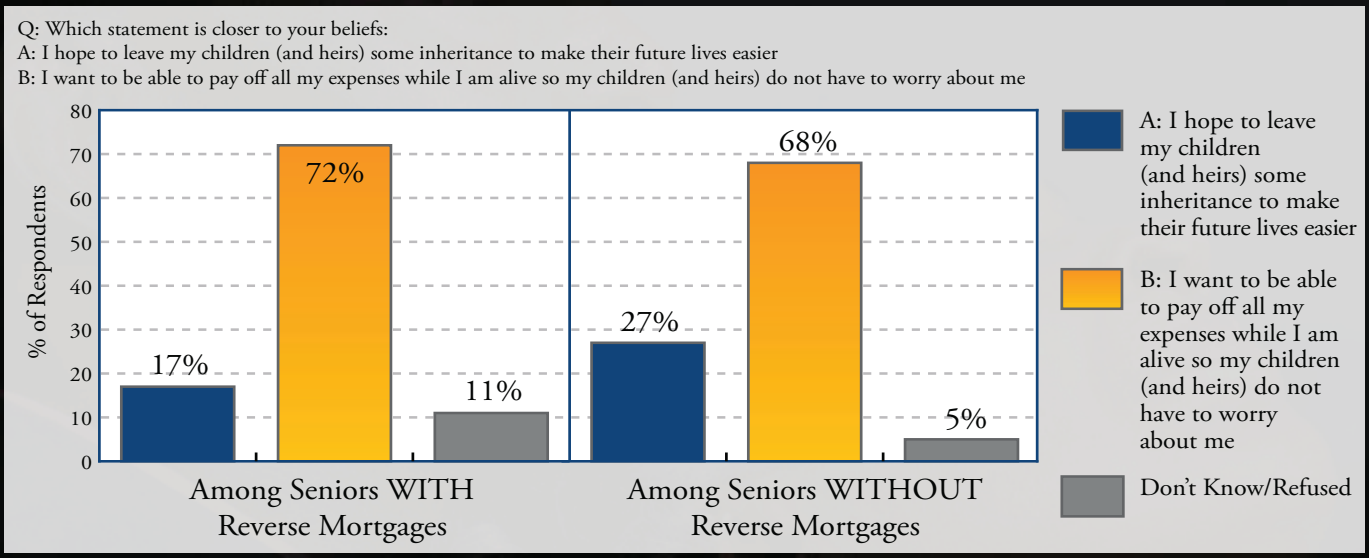
4. **The importance of staying in their home:** 80 percent of seniors want to stay in the home in which they currently live for the rest of their lives. Eighty-five percent of children with at least one living parent who own their home believe their parents would like to stay in their home for the rest of their lives.
5. **Intergenerational consensus regarding retirement:** Seniors with and without reverse mortgages believe the best financial strategy for their remaining years is to pay their own bills so their children will not have to worry about them. And adults with at least one living parent do not want their parents to worry about an inheritance for them; they want their parents to take care of themselves. This really is a clarifying piece of sociological research.

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

6. **Hard times:** The three surveys documented that these are hard times in America: all three cohorts are deeply worried about their current economic situation and are only slightly more optimistic about their future economic situation. The

1. Agreement about Independence

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



three surveys confirm widely documented polling on the profound economic anxiety that a majority of Americans feel.

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

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

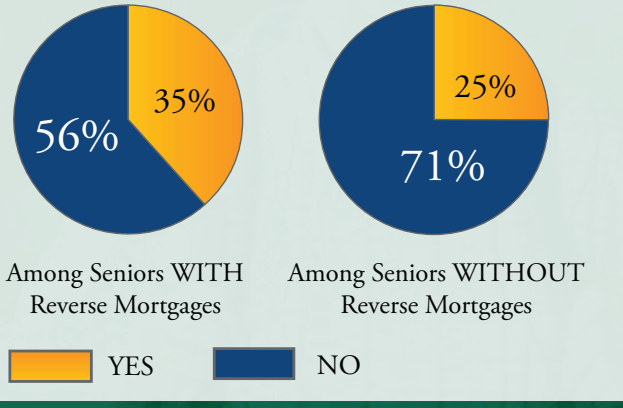
More detailed results follow in the accompanying graphics.

Research continued on page 24

4. Money Trouble

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

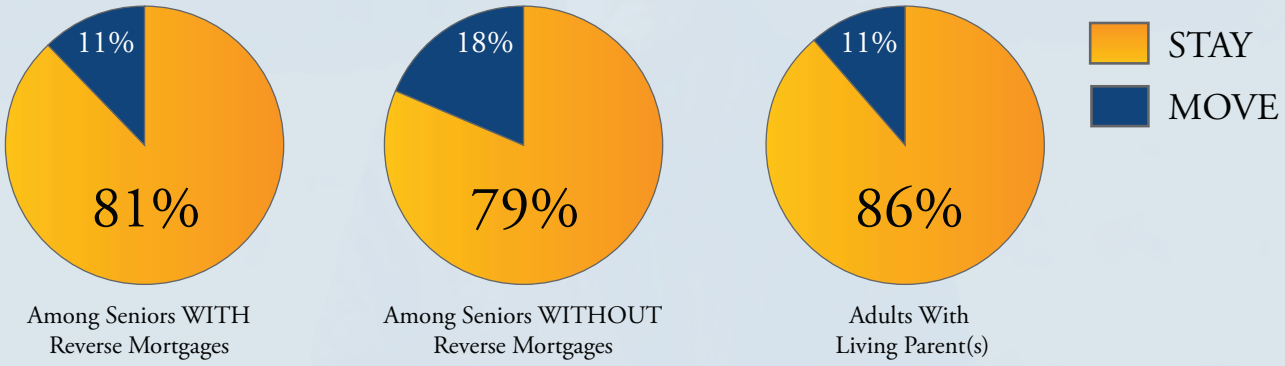
I need (or my parents need) supplemental income to cover my monthly expenses.



2. Staying At Home

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

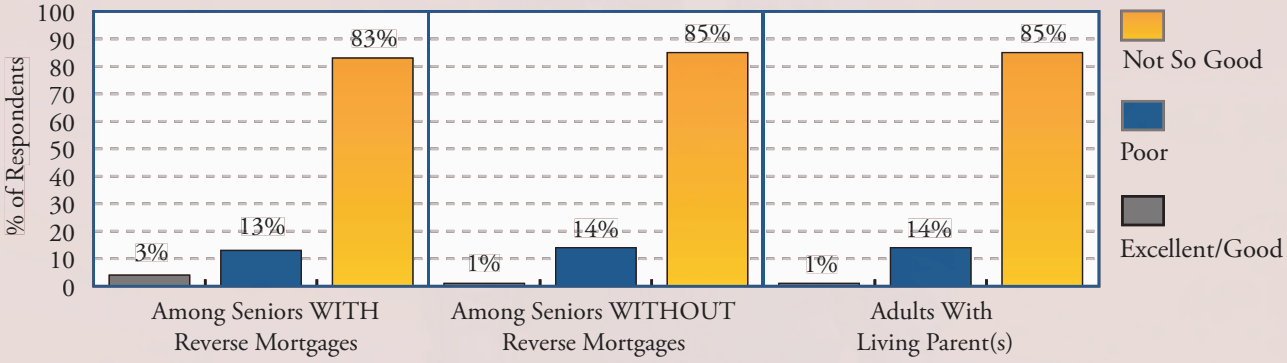
Q: I would like to stay in my home for the rest of my life. (For Adult Children surveyed: My parents would like to stay in their house for the rest of their lives).



3. Concern For the Future

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

Q: Would you describe the state of the US economy as excellent, good, not so good, or poor?

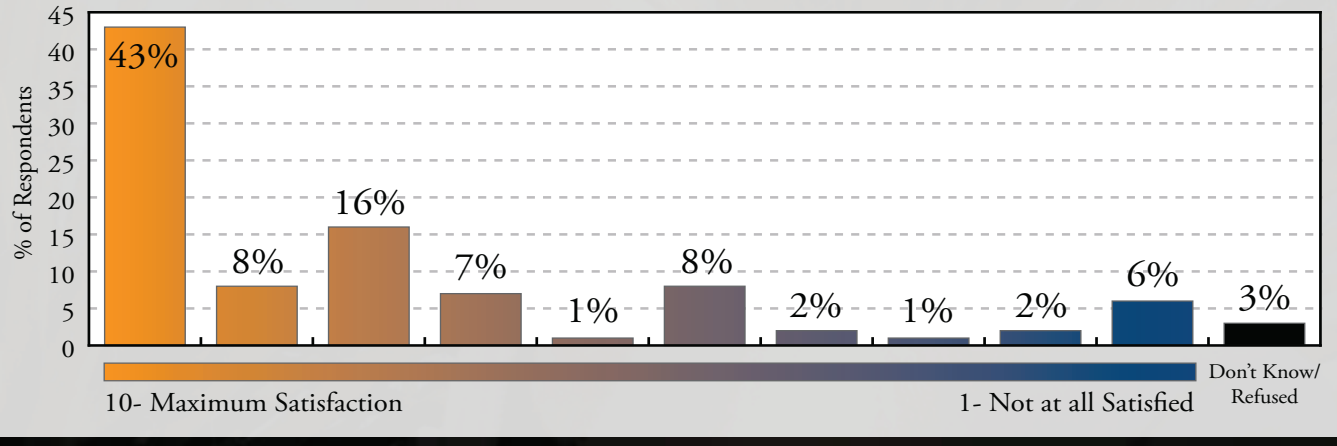


Research continued from page 23

5. Votes of Confidence

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

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



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

What is the bottom line?

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

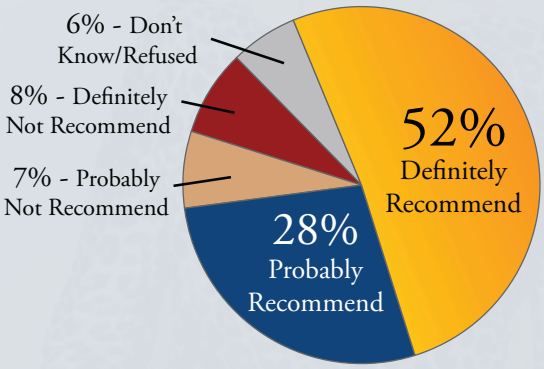
Opponents of reverse mortgages issue claims that make great sound bites – but do little to bring clarity to the financial woes of older Americans. The bottom line is…

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

6. Highly Recommended

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

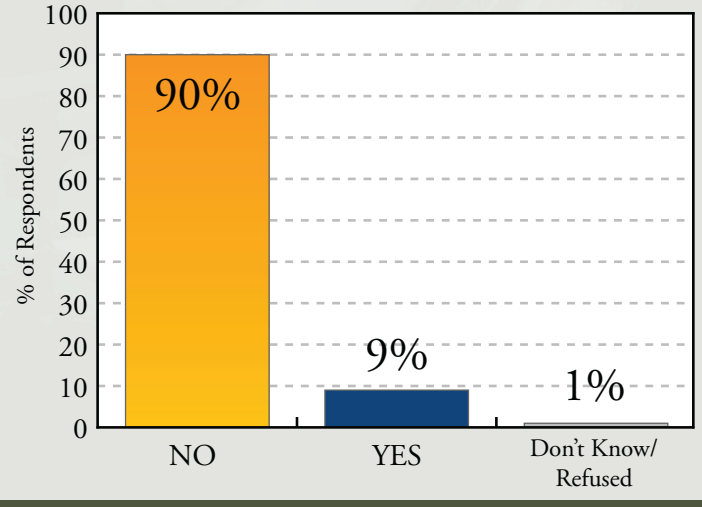
Q: Based on your entire experience, would you recommend a reverse mortgage to another family member or friend? Would you definitely recommend, probably recommend, probably not recommend, or definitely not recommend?



7. No Pressure

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

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



A Snapshot of Borrowers

Responsible & Thorough

(Originally published in January 2013)

REVERSE MORTGAGE BORROWERS ARE SHOPPING for their loans more vigorously, increasingly seeking advice from knowledgeable parties they trust, making better informed decisions on lender and product selections, consulting more often with well-trained and HUD-approved counselors and carefully reviewing documents and disclosures before closing, often with multiple parties and trusted advisors.

In addition, HECM borrowers by and large have utilized their loan proceeds judiciously and purposefully, having been fairly conservative about where they "park" loan proceeds for which they may not have immediate plans or needs.

These are conclusions drawn from a new borrower survey conducted in late August of 2012 on behalf of NRMLA by ORC International of Princeton, NJ, one of the most established consumer research and polling firms in the U.S.

The survey was conducted in direct response to the Request for Information by the Consumer Financial Protection Bureau upon issuance of their reverse mortgage report last July. Given a report that drew conclusions based on 36 interviews, and lacking in data, NRMLA chose to obtain evidence-based answers to the CFPB's published questions, to collect information that reflected the real-life experiences of actual reverse mortgage borrowers.

To be able to meet the timetable set by the CFPB, the research team decided that the sampling frame would consist of all non-paid reverse mortgage accounts that were not in a due and payable status. ORC advised NRMLA that a response from 500 borrowers would be a statistically significant sampling of the target population. Anticipating a ten percent "willingness to participate" rate, servicers and sub-servicers

***Snapshot** continued on page 26*

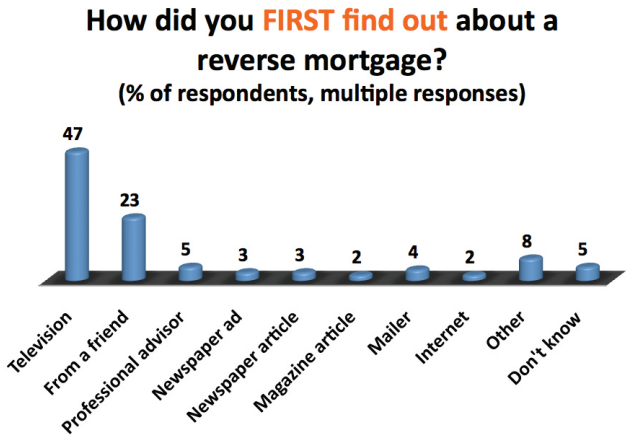
Snapshot continued from page 25

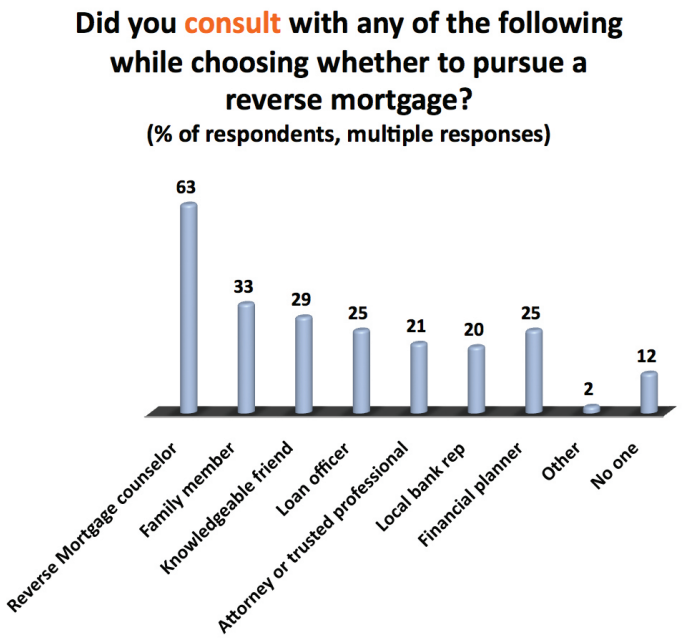
provided a random sampling of 5,000 borrowers. In total, 501 interviews were conducted via telephone by ORC staff, each call lasting approximately 14 minutes.

The survey produced the following results:

Borrowers' Own Research

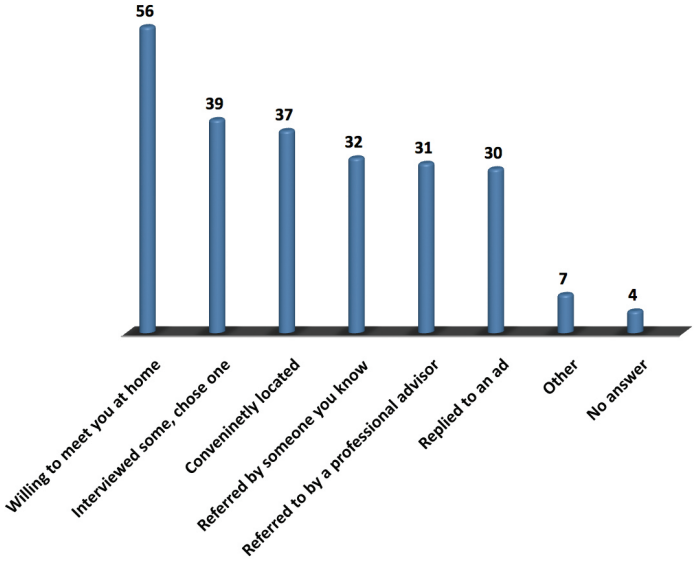
To research whether reverse mortgages were appropriate for their individual financial situations, borrowers not only met with loan originators and went through mandatory counseling, but also avidly sought additional input from knowledgeable family and friends, published materials, and a spectrum of financial professionals.





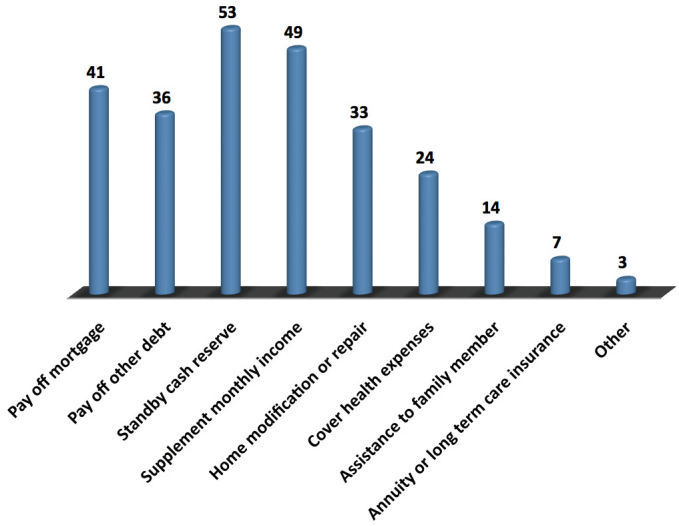
How did you choose your lender?

(% of respondents, multiple answers)



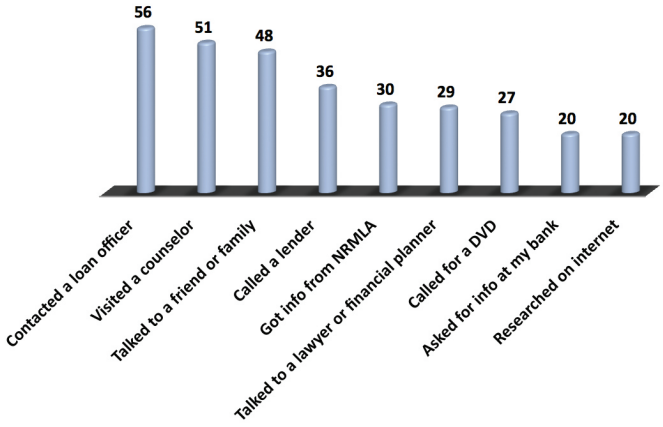
What were the initial reasons you thought you might need a reverse mortgage?

(% of respondents, multiple answers)



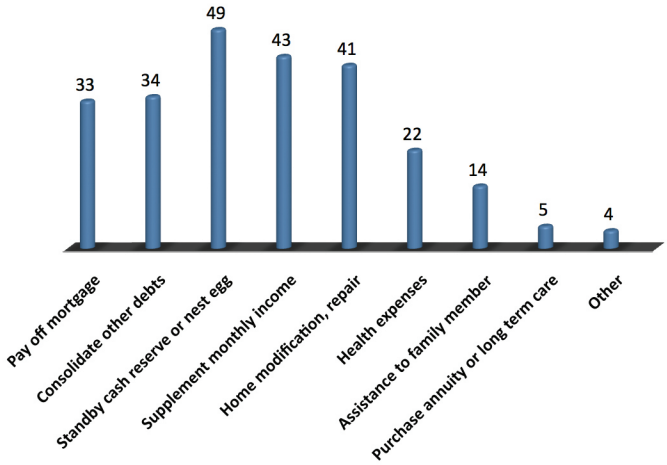
What steps did you take to get more information?

(% of respondents, multiple responses)



How did you actually use your reverse mortgage funds so far?

(% of respondents, multiple responses)



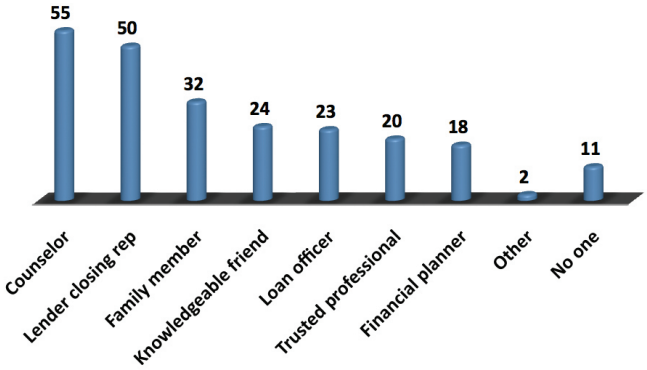
Snapshot continued on page 28

Snapshot continued from page 27

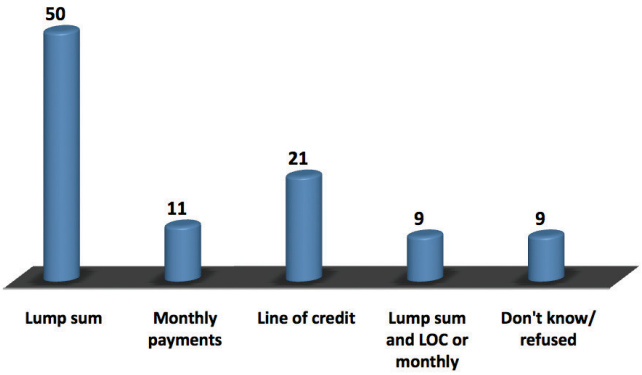
Borrowing Process and Usage of Funds

Overall, borrowers have demonstrated a responsible approach to decision making. They get advice, make a decision, continue to seek more advice during the loan origination process. They have solid reasons why they pursue reverse mortgages and usually utilize the funds as originally anticipated. Interestingly, the one area in which they do not always anticipate their needs is in home repair and modification. In order for their home to qualify for a reverse mortgage, they are sometimes required to spend money on home improvement.

Did you review your disclosure documents with any of the following before closing?
(% of respondents, multiple answers)

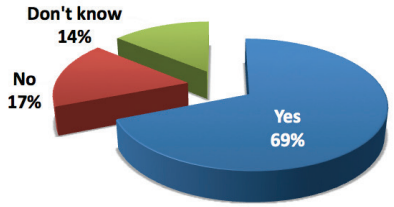


How did you receive your reverse mortgage funds?

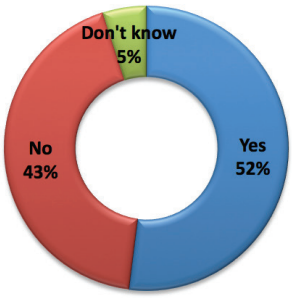


Overall, borrowers have demonstrated a responsible approach to decision making.

Were both adjustable and fixed rate options presented to you?

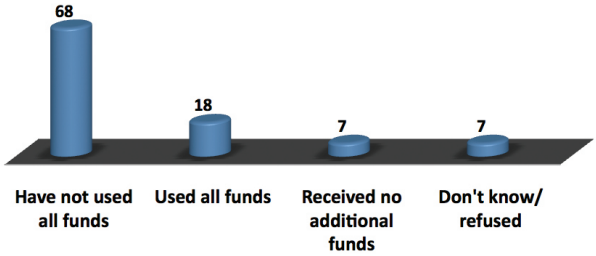


If you had not paid off your mortgage, could you have afforded to remain in your home?

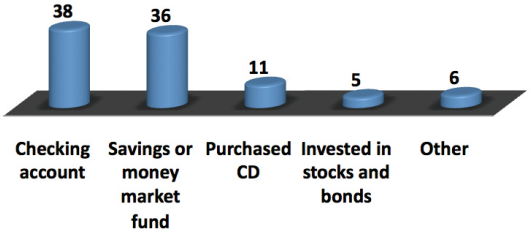


Borrowers who choose to receive their proceeds as a lump sum, paid off forward mortgages or other debt, and have funds remaining have been conservative and careful with those remaining funds.

After taking a lump sum and paying off your debt, have you used all your funds?
(% of respondents, single response)



Where have you placed any funds you have not used?
(% of respondents, single response)

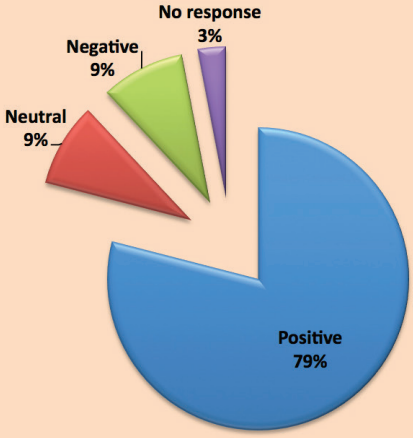


Conclusion

As with a consumer study done by AARP in 2007 and previous research for NRMLA conducted by Martilla Strategies in 2010, the overall level of satisfaction with the reverse mortgage experience amongst borrowers proved to be unusually high. RM

The overall level of satisfaction with the reverse mortgage experience amongst borrowers proved to be unusually high.

How would you rate your overall reverse mortgage experience?



Better Lives

How have HECM borrowers fared?

(Originally published in March 2016)

Since 2009, Reverse Mortgage *Magazine has been telling individual stories of HECM borrowers. We thought it would be revealing to go back and look at some of the outcomes of those we have visited all across the country.*

Northeast

Windhaven, Maine—Tim Livingston and his wife had a well planned retirement. But by 62, Mrs. Livingston became disabled and needed assistance and Tim had his own serious health issues. The reverse mortgage allowed them to pay off their mortgage and, thus, afford their medical caregiving bills.

Cape Cod, Massachusetts—Cameron Katzstein took out a reverse mortgage at 82 and eliminated mortgage payments. By 91, she was blessed with two great-grandchildren and had enough money to set up college funds for each.

Wakefield, Rhode Island—In 1961, when Barbara Hackey married her husband Frederick, they moved into the home her father had built 58 years before and raised their family there. Barbara is still there because her HECM line of credit permitted her to continually fix the roof, fence and other problems of an old house.

North Bellmore, New York—When her husband died, Louise Rosagi's son, Vincent Junior, gave up his job and moved in with his mom to be her caregiver. Then he became ill. They were living on her Social Security and his disability payment. A tenured payment of $1,200 per month permitted them to remain in the home Louise had been in for 50 years rather than move to medical facilities.

Mount Laurel, New Jersey—Ellen Day, a widow, had three children. Richard Kueny, divorced, had four. When they married, they used a reverse mortgage to help put all seven children through college.

Wildwood, New Jersey—Robert Yorke had an impressive public sector career in the military, working in community development, then as a probation officer, finally as a program analyst for the Department of Health and Human Services. When he retired, he made a wise financial choice to downsize to his parents' small home in Wildwood, NJ. A reverse mortgage permitted him to redo the roof and porch and make the old affordable beach house livable.

Philadelphia, Pennsylvania—Joan Rennie, 75, found herself behind on taxes and had very little money left for food. With a reverse mortgage she paid her debts, taxes and had about $500 per month left from her tenured payment.

Weymouth, Massachusetts—Larry Grillo is able to serve part-time for FEMA, including helping people out of Jersey shore homes following Katrina, and Lucy Grillo is able to counsel families considering adoption because their reverse mortgage line of credit enables them to cover their expenses without worry.

Mid-Atlantic

Montgomery Village, Maryland—Franklin Ebersole served in the military, then ran his own printing business, but never made enough to put much into his 401(k). He was still working at 75 when he learned about a reverse mortgage, which permitted him to retire.

McMurray, Pennsylvania—Mechanic Jim Hudson owned his own auto shop, then, well into his 70s, found himself still fixing golf carts to support himself. A reverse mortgage line of credit permitted him to finally retire.

Virginia Beach, Virginia—Tom Wright lost everything and went bankrupt in his 60s. He had to start a new career at 64, took out a reverse mortgage line of credit, but continued to work until 75. Without the reverse mortgage line of credit for emergency security, he would still be working at 81.

South

Charleston, South Carolina—Ruth Cupp, an attorney and one-time representative in the SC House, had retirement well-funded through the Clinton years, but got socked in the market at the end of the Bush years. Still actively practicing at 80, her doctors told her she could live to 100 and better plan for it. She took a reverse mortgage line of credit to replace the decrease in her portfolio and to breathe easier as she waits for it to grow back.

Delray Beach, Florida—Research shows seniors who stay socially active and participate in the arts have fewer doctors visits, pharmaceuticals and falls. Enid Gochman lost the wherewithall to pay for her first love—live theater—when she retired from working in healthcare and moved from New York to the east coast of Florida. A reverse mortgage gave her the means to revive and sustain her active social life.

Fort Lauderdale, Florida—Andrew and Beatrice Hollimon were able to retire ten years earlier than they had planned and purchase a home they never imagined they could afford by combining the proceeds from the sale of their home in St. Louis with a HECM for Purchase of a new home in Fort Lauderdale.

Jackson, Mississippi—When Shirley Smith's mother died, her daughter was left with years of her mother's unpaid accumulated medical expenses. She paid them down out of her salary as a service manager at auto dealerships. Then she lost her job. A reverse mortgage allowed her to relieve herself of the financial burden left by her mother.

Lake Ponchartrain, Louisiana—Despite good planning, at 80 Larry and Helen Driscoll reached that "Uh-oh" moment when they realized they had a solid chance of living much longer than they had planned to. So they downsized and used a reverse mortgage to help purchase a smaller home to extend the life of their precious assets.

Midwest

Kewadin, Michigan—James Adams, a private detective, retired to a lakefront home with an adjustable rate mortgage. But when interest rates jumped, he could no longer meet his monthly expenses. A reverse mortgage eliminated the mortgage payments and enabled him to get back on track.

Columbia Heights, Minnesota—Maxine Porter was left with tens of thousands of dollars in expenses from her husband's battle with cancer. A reverse mortgage allowed her to pay them off in full.

Better Lives continued on page 32

Better Lives continued from page 31

Chicago, Illinois—Dewana Smith had to give up her own job to become a full-time caregiver for her 92- and 87-year-old parents. A reverse mortgage allowed her to support herself until she was able to return to work.

West

Glendale, Arizona—Diana Hill worked as a supper club singer, ran her own coffee shop, then ended up on her feet all day at the jewelery counter at Macy's late into her 70s. A reverse mortgage finally enabled her to retire close to 80.

Dayton, Nevada—Vivian and George Low vastly reduced their monthly energy expenses by using reverse mortgage proceeds to install a wind turbine in their yard, which enabled them to cover their monthly expenses.

Las Vegas, Nevada—Former NASA employee Bob Kaltenbahk and his wife Marjorie, a real estate consultant, are avid researchers. Their research into reverse mortgages convinced them they could do best if they left their investment portfolio intact and covered their monthly expenses with draws on a reverse mortgage line of credit.

Palm Springs, California—Donna Chaban believed in contributing to community. She worked and volunteered for not-for-profits her whole life. When she lost her paying job and could not find another, it did not discourage her from working as a volunteer. Her reverse mortgage enabled her the affrordability of not having a paying job and still continue to contribute to the community.

San Diego, California—When reverse mortgage sales folks Ken Kerenan and Katharine Klicka divorced, he took out a reverse mortgage to buy his ex-wife's share of their house. She then combined this with a reverse mortgage of her own to purchase her own home.

Rockridge, California—When Deloss Rose lost his wife, he lost his caregiver. Now still living independently at home at 98, a reverse mortgage pays for caregiving services.

South Portland, Oregon—At 75, John Mosely was still busing tables and mopping floors at McDonald's to cover his and his wife Ginny's expenses, until he learned that he could do better each month with a reverse mortgage tenured payment. RM

25 Ways to Use a HECM

SINCE ITS FOUNDING, NRMLA HAS BEEN EXPLORING, explaining and encouraging the various ways that home equity can be utilized to support senior lives, lifestyles and care. In that pursuit, we have compiled a list of 25 effective strategies that can be shared with senior homeowners, their families and financial advisers.

While there can be some overlap, we have divided them into five broad categories for easy and efficient reference. Though we often refer to HECMs, most of these strategies apply to proprietary reverse mortgage products as well.

Successful Retirement

1. SALARY REPLACEMENT – The monthly proceeds of a HECM or other reverse mortgage product can replace part of the salary income lost after retirement.

2. LONGEVITY INSURANCE – A HECM line of credit compounds over time, with the unique ability to exceed the value of the home that secures it, making cash available far into a retiree's future.

3. FILLING THE GAP UNTIL SOCIAL SECURITY – If Social Security benefits are postponed from age 66 to 70, they grow by eight percent per year, which can make a huge difference to the increasing population living to 90 and beyond. A HECM line of credit can fill the four-year gap with tax-free income, grow in value and let 401(k) and other assets remain untouched during that time.

4. MONTHLY EXPENSES – A HECM can cover monthly expenses that were unanticipated in retirement planning or simply make life more comfortable, with more enjoyable possibilities, such as travel and entertainment.

5. RETIREMENT FLEXIBILITY – Unforeseen expenses, such as extraordinary medical costs, can significantly eat into retirement savings. A reverse mortgage can supply tax-free funds to reconstitute a retirement plan.

Money Matters

6. WORK INTERRUPTION – A HECM line of credit can supplement income due to work interruption, such as for illness, injury or planned surgery. It can also allow a small business owner to hire temporary replacements to keep the business open during the temporary incapacitation.

7. BETWEEN JOBS – A HECM line of credit can replace lost income for a senior who has lost a job and is seeking another before drawing on Social Security and other benefits.

8. PORTFOLIO GROWTH – Taking a tax-free tenured payment from a reverse mortgage can protect IRA portfolio assets, which are taxable when redeemed, and therefore allow continued growth in the portfolio, often far exceeding the costs of the reverse mortgage.

9. CREDIT CARD DEBT – The interest costs of a reverse mortgage are far less than those of credit card debt. Paying off the entire balance with HECM proceeds and letting the rest of the HECM amount sit in a line of credit makes obvious financial sense.

10. STANDBY CASH RESERVES – The built-in growth feature of a HECM line of credit can allow seniors to weather ups and downs of both investment portfolio yields and real estate value fluctuations without having to liquidate assets or even borrow against their home equity unless or until the money was needed.

Hearth and Home

11. PAY OFF YOUR MORTGAGE – For many seniors, one of the most secure feelings is the knowledge that they do not have to make monthly mortgage payments, which may be their largest monthly expense. A reverse mortgage eliminates that monthly expense for as long as they wish to live in their homes.

12. STAYING IN YOUR HOME – Seniors who consider selling their well-loved, paid-off homes to acquire the extra money they need to meet expenses every month can stay in their homes with the added tax-free income provided by a reverse mortgage.

25 Ways continued on page 34

25 Ways continued from page 33

13. **BUYING A NEW HOME** – A senior wishing to downsize or relocate, such as to a warmer climate or to be near children, can utilize the equity in his or her current home in a HECM for Purchase for the down payment and then no monthly payments thereafter.

14. **HOME MODIFICATION** – Most seniors would prefer to remain in their homes rather than move to a care facility. A reverse mortgage can provide the funds to make necessary modifications for increased frailty or mobility issues, as well as to make the home suitable for a daytime or live-in aide.

15. **UNIVERSAL DESIGN** – The universal design concept not only allows seniors to age safely and gracefully in their homes but can actually increase resale value when the time comes to sell the home. A HECM can address immediate redesign issues, while its accompanying line of credit can insure future modifications can be made when needed.

16. **REAL ESTATE TAXES AND PROPERTY INSURANCE** – In retirement, it can often be a strain for seniors to pay real estate taxes and property insurance. A HECM can take away those concerns. A voluntary Life Expectancy Set Aside (LESA) can make the payments automatic and eliminate the worry of dealing with them.

Health and Wellbeing

17. **HEALTH INSURANCE** – For seniors in the three years before Medicare eligibility, health insurance can be a formidable expense, especially if the prime earner retires or loses a job. COBRA coverage, when available, can be daunting. A HECM can eliminate any monthly mortgage expense, thereby reducing expenses, and establish a line of credit to draw on for health insurance premiums until Medicare age. And for those who want to postpone Social Security, from which Medicare payments are drawn, it can be a way to meet monthly expenses while still preserving the higher age 70 benefit amount.

18. **MEDICARE PARTS B AND D** – While Medicare is a boon to seniors, Part B, which covers doctors and medical services, and Part D, which covers prescription drugs, each require a monthly contribution from the participant. This can amount to several hundred dollars per person, more if costly in-patent pharmaceuticals are needed. A HECM line of credit can pay for these premiums regularly or in any month when finances are tight, while accumulating value along the way.

19. **HEALTH-RELATED TECHNOLOGY** – The proceeds from a reverse mortgage can allow a senior with serious medical issues and care needs to stay in his or her home through devices that aid movement, such as a stair lift, and systems that allow remote monitoring by physicians for real-time health information and patient wellbeing.

20. **ACCIDENTS** – A HECM line of credit can pay for unexpected rehabilitation expenses that Medicare does not cover after an accident.

21. **CAREGIVING** – If regular, in-home care is needed, Medicare will not help, so the funds extracted from home equity can make it possible to remain in the home instead of needing a care facility.

22. **LONG-TERM CARE INSURANCE** – Unexpected long-term care needs can devastate virtually any normal retirement plan. For those seniors who think ahead, a reverse mortgage line of credit can provide peace of mind by paying long-term care insurance premiums without having to change or decrease lifestyle.

Family Values

23. **HELPING ADULT CHILDREN** – Seniors who want to preserve their own assets but still help adult children, say, with the down payment on a house, can do so with the proceeds of a reverse mortgage. It also fulfills many seniors' desire to "leave something to their children" while they are still alive and can enjoy the benefits those gifts bring.

24. **GRANDCHILDREN'S EDUCATION** – A 529 Plan is an excellent way to pay for children's higher education, with financial benefits similar to a 401(k), except that the withdrawals are non-taxable when used for education expenses. Seniors who wish to pay their grandchildren's college costs can use a HECM to access tax-free funds, give them to their adult children for the establishment of a 529 Plan, and not reduce their own monthly income.

25. **ESTATE PLANS AND WILLS** – The freedom and flexibility of a reverse mortgage means that estate plans and wills can be ordered and organized so that the senior can make sure his or her wishes are carried out regarding legacies to children and others and that all expenses are paid before heirs have to deal with an estate. RM

Financial Ingenuity

A Guide to the Creation of HMBS and a Secondary Market

By Marty Bell

(Originally published in March 2012)

GINNIE MAE'S HECM MORTGAGE-BACKED SECURITIES program is the ocean that feeds the rivers that feeds the streams. By enabling the pooling of government-insured reverse mortgages into securities that attract investment and create a secondary market, HMBS provides the money for lending that broadens the availability of loans to seniors.

Though the FHA's HECM program is now over 20 years old, we still often characterize it as a fairly new financial product that is still finding its shape. The HMBS program, by comparison, has just completed only its fourth year of existence. In that short time, it has seen the investor appetite vary. The first pool was issued by Goldman Sachs in August 2007. In 2010, volume dropped 35 percent. In 2011, volume increased 27 percent. Issuers and broker-dealers attribute the inconsistency to changes in the product—a ten percent haircut to the principal limit in the fall of 2009, a reevaluation of the Mutual Mortgage Fund insurance premium in the fall of 2010—that gave investors temporary pause.

But currently, the market appears to be in an extended upswing. "I do think we have turned a positive corner in building the market demand from an investor standpoint," Jeff Traister, managing director and head of reverse mortgage trading at Cantor Fitzgerald told *Reverse Mortgage Daily* last year.

"With three-plus years of performance we now have a good story to tell," says David Fontanilla, managing partner of Pioneer Analytics and Consulting group and a member of NRMLA's Board of Directors. "We offer a good alternative to other high-grade, government-insured investments and the appetite has been pretty solid."

Reverse mortgages, including HECMs, are a somewhat peculiar product, which made securitization complex, particularly compared to forward mortgages. While forward mortgages are funded in full at closing and thereafter have a steady stream of payments of principal and interest which can be passed through to investors, reverse mortgages can be paid out over time and lack payments of principal and interest until they reach a maturity event or termination. Securitization of HECMs required a method to satisfy obligations to both the borrowers and the investors. As accrual pass-through securities with no scheduled payments of principal or interest, they also needed the means to pique the interest of investor pioneers who were accustomed to and had shown a long-time liking for current pay securities.

By enabling the pooling of government-insured reverse mortgages into securities that attract investment and create a secondary market, HMBS provides the money for lending that broadens the availability of loans to seniors.

Government at its best assumes a role that no one else can play. To create a secondary market for reverse mortgage products, what was needed was financial ingenuity and research. In this case, Ginnie Mae and the FHA proved up to the task and found the mechanisms to make an unusual product securitable.

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NRMLA®
National Reverse Mortgage Lenders Association

Save the Dates

March 25-26, 2019
Pasea Hotel Huntington Beach
Huntington Beach, CA

May 20-21, 2019
InterContinental New York Times Square
New York, NY

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Creation

The Great Depression saw banks fail and brought lending to a near standstill. How could a private banking institution depend on anyone to live up to their obligations? In 1934, first-term President Franklin D. Roosevelt oversaw the creation of the Federal Housing Administration, designed to insure private lenders against the risk of mortgage default.

Four years later, the Federal National Mortgage Association, better known as Fannie Mae, was established to provide local banks with money to finance home mortgages. To broaden its base, Fannie Mae created a secondary market in which pools of mortgages would be sold to investors, thus providing capital for more mortgages. The attraction to investors was that the Fannie Mae mortgages were insured by a fund created by another new agency, the Federal Housing Administration (FHA), an element of a restructuring of the national banking system.

Over the next 30 years, Fannie Mae went through changes, first becoming a mixed-ownership entity shared by both the federal government and private investors in order to remove its debt from the federal budget. And then with the Housing and Urban Development Act of 1968, it was divided into a totally privately owned Government Sponsored Enterprise (GSE) and the new Government National Mortgage Association (Ginnie Mae), owned by the United States government and located in the nascent cabinet department known as HUD. (In 1970, another GSE, Freddie Mac, was created to promote competition with Fannie Mae and maintain favorable mortgage rates.)

Ginnie Mae's mission was to make housing more affordable and increase home ownership in the country by attracting global capital. Ginnie Mae would not originate, fund or securitize mortgages—but it would offer a government guarantee to investors from around the world on the payment of principal and interest, thus creating more competition, allowing security issuers to get better prices, which would then encourage them to purchase more loans and thus lower loan pricing.

In 2006, Ginnie Mae announced it would implement a program to securitize government-insured HECMs. In order to address the problems created by the peculiarities of this mortgage in reverse and without scheduled payments, research was needed to build a case that would interest potential investors. So Ed Szymanoski and his staff at FHA, who in 1989 had originally constructed the formula that determines principal limits based on age and interest rates and that made HECM lending viable, went back to work and provided Ginnie Mae with an analysis of all the HECM loans made to date, called "Home Equity Conversion Mortgage Terminations: Information to Enhance the Developing Secondary Market." In this early conceptual stage of HMBS, the approach was that HMBS security issuers would be responsible for both pass-throughs of loan payments and interest to investors and additional cash advances to borrowers.

The key risk factors for investors would be mortality rates and voluntary loan terminations; change in interest rates; and change in home values.

Szymanoski's research looked at hazard and survival tables for single females, single males, couples and all borrowers and then at loan history thus far. It showed that on average 58 percent of the loans' principal limits were paid out in the first year, seven percent the second year and that the demand for additional advances continued to decline thereafter, reaching just two percent by year 15. It also showed the average life of a loan before termination was seven to eight years. The results indicated that lump sum repayments in each discrete time period exceeded the sum of cash advances plus required pass-throughs.

Though the loans were non-recourse, investors would not be affected by a rise in interest rates or a dip in home values because the borrowers would pay premiums into the FHA insurance fund which would be responsible for any shortfall upon sale of the home or other termination of the loan. Since bond ratings done by independent agencies, and which investors depend upon, are based on the stress level on the loan, excising any potential threat from interest rate or home price variation would make

these securities relatively stress-free and therefore eligible for higher ratings.

Then Ginnie Mae came up with another policy procedure to ameliorate the risk that might be imposed by the issuers being responsible for both pass-through and cash advances: Instead of securitizing all of a loan at once, it would only securitize that part of it that had been paid out plus the interest attached to that amount thus far. These divisions of a loan would be known as participations. And so a single HECM loan could be broken into participations in many different pools. This eliminated the need for pool investors to take the brunt of additional cash advances. Instead, they would receive unscheduled payments of principal and interest when either a full or partial payment is made on a HECM loan or upon the purchase of all participations in the HECM loan from the pool by an issuer, which would be required when the available principal balance reached 98 percent of the maximum claim amount. The 98 percent rule would be implemented to increase the liquidity of loans with no stated term of maturity, as well as to provide lenders with full insurance coverage from losses due to non-payment.

Loans would have to be pooled with other loans of the same type—fixed-rate with fixed-rate, LIBOR-adjustable rate with LIBOR-adjustable rate, etc.

So Ginnie Mae had taken a peculiar product with unique features and found the policy approaches to make it an attractive option to investors.

The Market

From the program's inception in August 2008 through the end of 2011, 1,106 GNMA/HMBS investor pools have been offered with a total value of $27.7 billion. Of those, 58 percent or $19 billion, were fixed-rate mortgage pools. And 42 percent or $8.6 billion, were adjustable rate mortgage pools.

The pools are issued by companies approved by Ginnie Mae that must prove they have organizational, financial, procedural, quality control and other characteristics and give GNMA the confidence they can pay security holders on time whether they receive mortgage payments on time or not at all.

There are currently a dozen approved HMBS issuers, but only nine were active in 2011 and only five appear to be currently active. (See chart, HMBS Issuers.) Live Well Financial is the most recently approved and is gearing up to enter the market. Issuer approval has been difficult in the past. In fact, Ginnie Mae suspended approval for a period in 2010 to evaluate risk in the market. All the active issuers offering new securities are also lenders, though that has not always been the case. "When you have a product," says David Fontanilla, "you don't want to just manufacture and finance it and then depend on someone else to distribute it. You want to have control of the manufacturing and distribution process. Being a Ginnie Mae issuer completes the process."

A loan that is originated by an issuer or acquired from an aggregator or broker is sent to a secondary market custodian (Wells Fargo, Deutsche Bank, Bank of New York) to be pre-screened to make sure it conforms to Ginnie Mae requirements. At the same time, the documents of a loan in play are sent to the Ginnie Mae certified custodian for registration. At that point, a pool of no less than $1 million and three participations is assembled and goes to Ginnie Mae for approval.

It usually takes about 30 days for a closed HECM loan to make its way into a pool. The pools are marketed by broker-dealers and serviced either in-house by the issuer (RMS) or by a contracted vendor (Urban uses RMS, MetLife uses Celink). The bonds representing interest in the pools are then traded on a daily basis.

A trader spends his average work day monitoring bond prices, setting rate sheets for brokers based on current prices, trying to maintain the spread by buying and selling securities (both their own company's and others) as efficiently as possible.

The Future

HMBS volume has now reached a steady $800 million to a billion a month and, according to Ginnie Mae reports, has surged since September 2011. HECM-REMICS (Real Estate Mortgage Investment Conduits) are also starting to catch on with investors. (There have been about 50 H-REMIC pools thus far compared to over 1,000 HMBS.) The largest investors, according to a report by Daniel Lichtenberg of Bank of America Merrill Lynch, are domestic banks that are attracted to the safety of the government guarantee; money managers overseeing stable value funds, insurance companies and pension funds that are typically attracted by yield; and more recently hedge funds and real estate investment trusts (REITs). In the program's short life, investors have had a history of coming and going, but

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improvement in the tools available to model HECM-backed securities and more transparency in pricing (largely provided by Bloomberg) seem to be attracting new investors.

Pricing for HMBS has been fairly cheap and players in the market are looking to more investors to increase liquidity and raise pricing. Prolonged stability in the HECM product, without further changes in, for example, loan limits, would be a boost to the market. In a market where interest rates are near zero and where the principal on many forward mortgages may be reduced, HECM-backed securities, with a low price and a good yield, are attractive.

One change dealers are anticipating is a form of financial assessment for potential borrowers that they hope will cut down on tax and insurance defaults. "For the industry to gain momentum and for us to have more institutions enter the space, having a financial assessment of borrowers is imperative," says David Peskin, an equity consultant. In his presentation at NRMLA's Annual Meeting in October, Peskin said the assessment is essential because, "issuers need the ability to lower their own exposure, to reduce the risk on HUD so they can continue to grow and support the program, and to reduce any headline risk of seniors being foreclosed upon."

But, like originators, securitizers are counting on the coming demographic changes as more Boomers reach qualifying age to build volume.

"Issuing has risk attached to it and companies need to evaluate their own capacity," says Fontanilla. "But there is more room for additional issuers in the market." RM

2018 First Half HMBS Issuer Rankings

RMF remains atop the leaderboard after the first six months of 2018, issuing $2.26 billion of HMBS securities for a 39.6 percent market share, more than double #2 AAG's $1.05 billion and 18.5 percent market share. RMF's totals include highly seasoned pools, issued throughout the half. FAR stays in third with $767 million issued and 13.4 percent market share. Ocwen Loan Servicing and Live Well Financial again round out the top five issuers. Ocwen issued $500 million for an 8.7 percent market share, and Live Well was fifth with $357 million issued for a 6.3 percent market share. The top five issuers accounted for 86 percent of all issuance, the same as last quarter. There were 15 active HMBS issuers in the half.

The first half of 2018 saw $5.71 billion of HMBS issued, on track to beat 2010's record year of $10.7 billion, thanks to the previously mentioned highly seasoned HMBS issuance. But, unless that becomes the norm, expect lower volume for the second half of 2018 due to the new PLF curves in effect since October. As we have noted previously, tail issuance will provide some profit stability to HMBS issuers to offset this slowdown. HMBS issuance volume for the first half of 2017 totaled $4.65 billion.

New View Advisors compiled this data from publicly available Ginnie Mae data, as well as private sources.

HMBS Issuer	Orginal Aggregate Amount	# of Pools	% of Total
Reverse Mortgage Funding	$2,263,527,600	96	39.61%
American Advisors Group	$1,054,118,725	119	18.45%
Finance of America Reverse	$766,865,166	112	13.42%
Ocwen Loan Servicing	$499,575,641	72	8.74%
Live Well Financial	$357,218,392	90	6.25%
Longbridge Financial	$314,428,074	41	5.50%
Nationstar Mortgage	$174,277,293	65	3.05%
Reverse Mortgage Solutions	$139,971,971	37	2.45%
Sun West Mortgage Company	$36,808,178	21	0.64%
Plaza Home Mortgage	$33,433,791	16	0.59%
Traditional Mortgage Acceptance	$27,903,292	11	0.49%
Cherry Creek Mortgage	$27,307,098	16	0.48%
The Money Source	$8,913,352	5	0.16%
The Money House	$5,717,966	2	0.10%
Bank of America	$4,311,915	2	0.08%
Total	**$5,714,378,454**	**705**	**100.00%**

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

Heck/Fitzpatrick

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

By Marty Bell

(Originally published in November 2013)

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

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

One is a Democrat, the other a Republican.

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

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

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

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

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"This common sense law increases consumer protection for seniors so they can retire on their own terms," Fitzpatrick wrote. His post was followed by the statement: "Only 22 bills have made it to the desk of President Obama for signature and one of them belongs to Congressman Mike Fitzpatrick."

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

Coming Together

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

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

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

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

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

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

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

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

Give Congress Heck

At 24 years of age, Denny Heck, son of a truck driver and telephone operator, a Clark County resident and graduate of Evergreen State College in Olympia, WA, inspired by a high school teacher who later went into politics and angered by the poor funding of the state's education system, was elected to the Washington State House of Representatives.

He served five terms, rose to Majority Leader and then served as chief of staff to governor Booth Gardner.

But Heck's interests were too diverse to remain in one profession for too long. There were so many things he wanted to do and so many things, particularly education, that he was concerned about. Assuming he was retired from politics in his mid-30s, Heck founded and became CEO of TVW, a Washington state version of C-Span, on which he also hosted a program called Inside Olympia.

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

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

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

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

Long-Term Commitment to Seniors

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

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

This common sense law increases consumer protection for seniors so they can retire on their own terms...Only 22 bills have made it to the desk of President Obama for signature and one of them belongs to Congressman Mike Fitzpatrick.

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

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

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including reigniting his urge to serve. And in 2010 he defeated Murphy and returned to Congress.

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

"Before I got into politics, I got to see the financial struggles of many senior clients at my law practice," Fitzpatrick said. "So many seniors in our district have highly valued property but don't have money for day-to-day necessities." From early in his first term, Fitzpatrick has been one of the most vocal supporters of the HECM programs among the Republican caucus. And when Denny Heck was searching for a legislative partner across the aisle, Fitzpatrick was the go-to guy.

The Payoff

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

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

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

The Professionals

CRMP Raises the Bar for Loan Officers

By Darryl Hicks

(Originally published in September 2009)

WHEN YOU TALK ABOUT HOT TOPICS, FEW ARE AS important as the credibility of reverse mortgage loan originators at this time. We hear it from politicians and regulators and in the voices of the consumers who call us about heavy-handed sales tactics and misinformation being given out. NRMLA is trying to address these concerns by adopting the industry's first professional designation – known as the Certified Reverse Mortgage Professional (CRMP).

NRMLA has invested two years and hundreds of thousands of dollars crafting the credential. The process has been guided by the highly experienced staff at Professional Testing, Inc. (Orlando, FL) 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 well thought-through designation, one that would not be easy to obtain, and would challenge even the most seasoned veterans.

There are companies and loan officers operating in our industry who probably should not be. They don't understand the product and they do not act in the best interests of their senior clients. We hope that the CRMP will separate the dedicated professionals from the posers, so that public trust in the reverse mortgage business can be sustained.

We wanted to share the history of the process that went into developing it.

Identifying Knowledge Points

It began in September 2007, when NRMLA invited 16 people to a two-and-a-half day meeting at Professional Testing's headquarters to develop a Job Task Analysis

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(JTA). Essentially, the JTA helps identify key "knowledge points" that every applicant seeking the CRMP should have a thorough knowledge of. The task force agreed that loan originators would be the most likely candidates to seek the designation.

They then identified areas of the business that all loan originators should have a basic knowledge of: 1) assessing clients' motivations; 2) educating seniors, family members and trusted advisors; 3) setting expectations; 4) originating loans; 5) processing loans; 6) underwriting loans; 7) closing, funding and post-closing activities; 8) servicing; 9) managing reverse mortgage operations; and 10) selling loans into the secondary market. Within each of these areas, the task force identified specific tasks and duties performed by loan originators.

Over the course of several months, these "knowledge points" were discussed extensively, refined and condensed (selling loans into the secondary market was eventually dropped) into an Examination Blueprint that would form the backbone of the exam that CRMP applicants would need to pass in order to have the designation bestowed on them.

Ed Barrett, vice president at Your Home For Life (Westwood, MA), described his participation on the JTA task force as "enlightening." He added, "I feel the Job Task Analysis gave us a blueprint for the necessary knowledge-base of today's Reverse Mortgage Professional. Ultimately, the consumer benefits by working with someone who knows their stuff."

Formation of ICC

While the Exam Blueprint was being developed, NRMLA formed an Independent Certification Committee (ICC) that would serve as the governing body, overseeing implementation and administration of the CRMP. NRMLA distributed a notice throughout the industry to seek worthy applicants. It took several months to review applications and select nine highly qualified individuals (along with three alternates, in case a member of the ICC could no longer perform his or her duties).

The ICC is currently comprised of Phil Goss, Generation Mortgage Company; Guy Benjamin, Bank of America; Ken Kanady, Wells Fargo; Brett Kirkpatrick, Mortgage Financial, Inc.; Mario Martirano, Agency for Consumer Equity Mortgages, Inc.; John Gosselin, Law for Life; Joe Zavaglia; Alison Calamia, Generation Mortgage Company; Susan Hunt, CCCS of Greater Atlanta; Sherry Apanay, Generation Mortgage Company; Joe Stephenson, Bank of America; and Ron Barnard, 1st Source Funding, Inc.

> **"All in all it was an exhausting and exhilarating process working with smart, ethical individuals which gives me hope about the industry in these tough times."**
>
> – Richard Wills, CEO
> Retirement Life Funding, LLC

One of the first actions taken by the ICC was to develop a list of 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 they may not fully understand all the important aspects of the program, including ethical behavior. Many people who can't cope leave the industry after one year, the ICC concluded. The ICC settled on requiring all CRMP applicants to have a minimum of two years experience originating reverse mortgages and a minimum of 50 closed reverse mortgages.

All other applicants who are not loan officers must have a minimum of five years experience working in reverse mortgages in one or more of the following areas: underwriting, processing, management and operations, title and closing services, appraisals, and/or loan servicing. (Note: These eligibility requirements have since changed. Get more current information at NRMLAonline.org)

In addition, all applicants must complete 12 hours of continuing education from NRMLA or such other providers as approved by NRMLA in areas related to reverse mortgages and senior financial issues; possess a current mortgage loan originator license in the jurisdiction that they originate loans, if a license is required; complete a background check; and submit a signed Consent Statement.

Item Writing

Once the Exam Blueprint was approved and the ICC established, NRMLA began the process of selecting Item Writers to develop the exam questions. In February 2009, a new group of 12 volunteers convened in Orlando.

The group underwent rigorous training from Professional Testing on proper exam writing techniques. This forced people to think carefully about how questions and responses should be worded, so as not to make the exam too hard or easy.

"We felt that the questions needed to show the breadth and depth of what a well-rounded candidate should know," said Dean Jones, a loan officer with Bank of America

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Henrietta, Belcher-Stack, WSFS Bank
Brian Belluomini, Acrobat Mortgage
Fernande Marie Bencze, Alliance Reverse Mortgage
Douglas Bertsch, American Pacific Reverse Mortgage Group
Pamela Boyer, Reverse Mortgage Funding LLC
Jesse Brewer, Nationwide Home Equities
Christopher Bruser, Retirement Funding Solutions
Kyle Buck, Retirement Funding Solutions
Randall Buffam, Arrowhead Capital Mortgage
Susan Caffine, Reverse Mortgage Funding LLC
Galen Call, American Pacific Reverse Mortgage Group
Tammy Campanella, Reverse Mortgage Funding LLC
Lance Canada, Victorian Finance, LLC
David Carter, Reverse Mortgage Funding LLC
Robert Paul Charles, Resolute Bank
James Peter Christopoulos, Silex Financial Group
Lyn Coffin, The Mortgage Network, Inc.
Eric Colburn, Alpha Mortgage Corp.
Ellen Connors, Shamrock Financial Corp.
Launi Cooper, Retirement Funding Solutions
John Correll, Lineage Lending
Jim Cory, Live Well Financial, Inc.
Jeff Cota, CrossCountry Mortgage, Inc.
Roberto Crespo, Columbus Capital Lending, LLC
David Darling, HighTech Lending
Randy Davis, Dollar Bank
Jerry Delmato, Retirement Funding Solutions
Phil Dixon, Columbus Capital Lending, LLC
George Downey, Harbor Mortgage Solutions
Jacob Droge, Open Mortgage
Rex Avery Duffin, Sun American Mortgage
Brandy Edwards, Reverse Mortgage Funding LLC
Leonard (Pudge) Erskine, Reverse Mortgage Works
Mark Anthony Erskine, Reverse Mortgage Works
Matthew Evans, Certified Reverse Mortgage
Nancy Everitt, Finance of America Holdings
Richard Fitzpatrick, American Financial Network, Inc.
Jeff Flanery, Cambria Mortgage
Cesar Flores, Reverse Mortgage Funding LLC
Nancy Foster, The Mortgage House, Inc.
Marshall Clayton Gallop, Reverse Mortgage Funding LLC
Greg Gianoplus, Alpha Mortgage Corp.
Jaime Girard, Reverse Mortgage Funding LLC
Dave Gomer, Senior Funding Associates
Phil Goss, Churchill Mortgage Corp.
Jill Gromm, Alliance Reverse Mortgage
Michael Gruley, 1st Nations Reverse Mortgage
David Guelff, American Capital Corporation
Tony Guillen, Liberty Home Equity Solutions
Chris Handy, Geneva Financial, LLC
Larry Hanover, Millennium Mortgage Services
Christina Harmes, C2 Financial Corporation
Scott Harmes, C2 Financial Corporation
Jane Harrington, M&T Bank
Susan Haviland, TowneBank Mortgage
David Heilman, Success Mortgage Partners
Melinda Hipp, Open Mortgage
Robert Hogg, Fairway Independent Mortgage
Dan Hultquist, Live Well Financial, Inc.
Robert Charles Jayne, InterContinental Capital Group
Christine Jensen, Fairway Independent Mortgage
Dean Jones, Senior Funding Associates
Karen Keating, Tradition Title
J. Burgess Kegan, Retirement Funding Solutions
Tim Kennedy, US Mortgage Corp.
Jim King, McGowin-King Mortgage LLC
Brett Kirkpatrick, Harbor Mortgage Solutions
Mace Kochenderfer, New Mexico Reverse Mortgage
Rebecca Koontz, Senior Reverse Mortgage
Kent Kopen, United American Mortgage Corporation
Pat Kubert, Success Mortgage Partners
John Paul Leer, KleinBank
Shane Lester, Reverse Mortgages of Arkansas
David Levitt, 1st Reverse Mortgage USA
Laurie Libby, American Advisors Group
Tim Linger, HECM Senior Home Financing
Jamie Longe, Liberty Home Equity Solutions
Robin Loomis, NOVA Home Loans
Teresa Maines, CoastalStates Reverse Mortgage
Jon Maiolatesi, Success Mortgage Partners
Hernando Manzano, The Reverse Mortgage Group
Michael Markoff, Aspire Home Mortgage
Mario Martirano, American Advisors Group
Daniel Matthews, American Nationwide Mortgage Company
Barbara McIntyre, Reverse Mortgage Funding LLC
Cindy Ann McKeannery, Fairway Independent Mortgage
Michel McKnight, American Pacific Reverse Mortgage Group
Joe McParland, Helping Hands Community Partners
Bruce McPherson, Retirement Funding Solutions
Edward Mendenhall, The Federal Savings Bank
Sue Milligan, Bank of England
Robert Mills, Greenleaf Financial, LLC
Christopher Mollison, On Q Financial, Inc.
Colleen Moore, Golden Equity Mortgage
Lisa Moriello, loanDepot
Bill Nass, Gershman Mortgage
Lisa Nass, Gershman Mortgage
Mary Nelson, V.I.P. Mortgage
Tim Nelson, V.I.P. Mortgage
Greg Newman, Aspire Home Mortgage
Vickie Nguyen, Guild Mortgage
Edward O'Connor, FirstBank
Anissa Palmatier, Reverse Mortgage Funding LLC
Alina Passarelli, People's Home Equity
Beth Paterson, Greenleaf Financial, LLC
Nina Penny, Mohave State Bank
Susan Perry, Capital Funding
Richard Pinnell, Vitek Mortgage Group
Daniel Porter, Mikana Financial
Karen Rayfield, Retirement Funding Solutions
Loren James Riddick
Eric Rittmeyer, Fidelis Mortgage
Rick Rodriguez, Nationwide Equities Corp.
Castulo Romero, HomeBridge Financial Services, Inc.
Teresa Rose, Senior Security Funding
Paul Scheper, Loangevity Mortgage
Jim Schwegman, American Advisors Group
Ken Seal, Neighborhood Mortgage, LLC
Clay Selland, Signet Reverse Mortgage
Bruce Simmons, American Liberty Mortgage, Inc.
Richard Simpao, Lineage Lending
Ellen Skaggs, New American Funding
Sean Skaggs, New American Funding
Glen Smart, NOVA Home Loans
Phil Stevenson, Columbus Capital Lending, LLC
Rick Sweeney, Open Mortgage
Neil Sweren, Atlantic Coast Mortgage
Susan Tamashiro, Platinum Financial, LLC
Malcolm Tennant, Access Reverse Mortgage Corp.
Pamela Tennant, Access Reverse Mortgage Corp.
Peter Tentler, Liberty Home Equity Solutions
David Tourtillott, Homestead Mortgage, LLC
Parker Turk, Sun American Mortgage
Christina Ghiorse Uva, Reverse Mortgage Funding LLC
Alain Valles, Helping Hands Community Partners
George Vrban, Fairway Independent Mortgage
Minh Vu, Golden Equity Mortgage
Bonnie Wallace, Citywide Home Loans
Lynn Wertzler, Greenleaf Financial, LLC
Peggy Whalen, Helping Hands Community Partners
Patricia Whitlock, FirstBank
Ken Wieland, TNBANK
Cory Williams, Springwater Capital
Rick Williams, All Reverse Mortgage
Patty Wills, Open Mortgage
Josh Wilson, Senior Mortgage Advisors
Todd Woodcock, Access Reverse Mortgage
Rob Wyatt, Reverse Mortgage Advisors
Jay Zayer, ARAMCO Mortgage

Why don't you join us? Go to nrmlaonline.org

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and Co-Chairman of NRMLA's Education Committee. "Besides knowing how to fill out an application package, we wanted to make sure that individuals have a solid level of knowledge from marketing through servicing."

The questions that were developed varied and encompassed a broad range of topics. They not only included the typical duties and tasks that a CRMP applicant would encounter in their regular duties, but also an understanding of HUD guidelines, handbooks, mortgagee letters and policies, as well as proper advertising, ethics, compliance, etc.

"The interesting part of this process was that once the question was written we had to create the four possible answers from which to choose. That was another challenge in itself," said Jones.

More than two-thirds of the questions fell into one of three buckets: processing/underwriting, setting expectations (i.e., describing the counseling process, mandatory repairs, the appraisal and closing and servicing issues) and assessing clients' motivations.

Over two days, the Item Writers developed 350 test questions that will be incorporated into two separate exams, each one comprising 120 multiple-choice questions. There are two exams, so that if someone fails the first time, they can be re-tested, but with a new set of questions.

Exam Review Process

The exam questions were reviewed by Professional Testing and incorporated into an Item Bank. Another task force was formed in May 2009 to review the exam questions for accuracy, clarity and grammar.

All 350 questions were thoroughly examined, and, if necessary, updated. The group engaged in spirited discussions over rules and regulations, whether certain questions were correct, or too easy or too difficult.

"Reviewing the potential exam questions became an intense exercise trying to ensure that the questions and answers were accurate and fair," said Richard Wills, of Retirement Life Funding, LLC (Sykesville, MD). "What impressed me the most was the level of detail of the discussions we had on the accuracy of the answers."

> **"Ultimately, the consumer benefits by working with someone who knows their stuff"**
>
> – Ed Barrett, Vice President
> Your Home For Life

A sample question that on its face had one simple answer sometimes turned into a complex issue with several answers. "I can honestly say that every participant on the Task Force was an extremely positive contributing force," added Wills.

"All in all it was an exhausting and exhilarating process working with smart ethical individuals, which gives me hope about the industry in these tough times."

Professional Testing updated the Item Bank and in July 2009, NRMLA invited 35 reverse mortgage professionals to sit for a test at Metlife Bank's facility in Bridgewater, NJ. Most of the participants had at least five year's experience in the business, making them a high-level group of candidates.

Passing Score Study

In mid-August 2009, another group of ten members met in Washington, DC to review the test scores. Along with the test scores, each question was reviewed and re-evaluated.

There was much debate over what the passing score should be. After everyone's input was collected, Professional Testing produced a Passing Score Study Meeting Summary that NRMLA recently presented to the ICC for review and approval.

Next Steps

While much has been accomplished, NRMLA still has a few more tasks to complete before the CRMP can be formally launched. As this article is being written, the ICC is preparing to approve a passing score, application and exam fee structure, code of ethics and various other manuals and documents that will govern the program.

NRMLA is interviewing vendors to perform background checks and setting up a process, so all applicants can be properly tracked in our operations system from the moment they first submit an application until their designation expires.

Those of you interested in learning more about the CRMP can download the official CRMP handbook from NRMLAonline.org. The handbook provides information on eligibility requirements and the guidelines for the application and testing process.

Once the CRMP goes live, all eligible loan officers, whether you're members or not, are encouraged to apply for the designation. The more of you who are designated, the stronger the assurance to America's seniors that they are in good hands. RM

The Value of Vendors

Reverse mortgages are a team effort. Loan officers may be on the front lines meeting with clients and their families, but every reverse mortgage transaction involves a strong support network. Borrowers, and even people within the reverse mortgage industry, might be surprised at how many people are involved in the process from beginning to end.

Out of 300 companies that support NRMLA, 20 percent are Associate Members that sell a product or service. Without them, the marketplace could not function, or at the very least function less efficiently. Associate Members sell technology, title insurance and legal advice, but that only scratches the surface.

NRMLA maintains an online Vendor Directory at NRMLAonline.org to help members identify reputable vendors, broken down into 15 different business categories. To be listed, Associate Members must have signed NRMLA's Code of Ethics and be a member in good standing. We thought it would be helpful to explain how our vendor members contribute to the process.

Appraisal Services

Appraisers provide valuation services that determine fair market values for properties that are used as collateral for reverse mortgages.

NationWide Property & Appraisal Services

Lres — Real Estate Solutions. We hear you.

MIS Mortgage Information Services, Inc.

SingleSource

ValuAmerica

Consulting

Consultants assess your business and offer strategies to increase growth and efficiency.

NewView Advisors LLC® — Capital markets, risk management, HMBS and HREMIC analytics, product development and strategic advisory services.

Reverse Market Insight — Advises reverse mortgage lenders exactly where to focus their efforts to find the most borrowers and achieve the greatest success.

Document Preparation

Loan packages vary from state to state, but doc prep companies keep track of all of the disclosures and changes to existing documents, so that lenders provide accurate information to borrowers at application and closing.

Bay Docs, Inc. — Reverse Mortgage Document Preparation

Reverse Vision

SingleSource

Education and Training

These members offer online continuing education courses for interested clients and for individuals who have, or are pursuing, the Certified Reverse Mortgage Professional designation (even if they have no prior relationship with the company).

Insurance & Tracking

These members provide technology-based insurance tracking, lender-placed insurance coverage and related outsourced services to protect reverse mortgage loan portfolio property interests.

Law Firms

The following law firms provide legal advice on compliance, regulatory, transactional and litigation matters related to real estate and mortgage finance.

Smith, Stern, Friedman & Nelms, P.C.

(Serves as NRMLA's outside general counsel)

Loan Servicing

Celink subservices loans for its lender clients, handling the administration part, whether it's disbursing loan payments, handling customer service calls or working with the owners or the estate to pay off the loan once the property is permanently vacated.

Loss Mitigation and Default Asset Management

These members manage defaulted HECM assets, including the sale of properties owned by their lender clients (REO), managing short sales, providing valuation services, overseeing repair bids and rehabs, and providing property management.

National Contractor Management Group

Lakeshore Home Solutions provides home repair and restoration services that help ensure properties used as collateral for HECM reverse mortgages are FHA compliant.

Post-Closing/Fulfillment Services

These members provide their clients with in-depth audits of closed loan documents to identify issues before delivery of insuring, servicing and investor packages.

Property Preservation

These members provide occupancy verification services that help ensure reverse mortgage borrowers are living in their property as a principal residence.

Quality Control

ADFITECH, Inc. provides post closing audits that meet the requirements of Fannie Mae, Freddie Mac, FHA and VA performed by an experienced staff of underwriters, closers and appraisal specialists.

Weiner Brodsky Kider PC has a nationwide residential mortgage lending and financial services practice. We provide full service legal representation and counsel to clients in the reverse mortgage, consumer lending, secondary mortgage and financial service products and arrangements; underwriting and responding to federal and state licensing and regulatory compliance matters; drafting and negotiating all manner of agreements; representing clients before government agencies; litigation consulting; and litigation, including the defense of nationwide class action lawsuits against financial institutions and settlement service providers.

We have a profound understanding of the reverse mortgage business, in the United States and abroad, as well as contacts throughout the industry.

We serve as Outside General Counsel to the reverse mortgage industry's trade association, the National Reverse Mortgage Lenders Association (NRMLA). In addition, we provide our full range of services to the full array of reverse mortgage industry participants, including originators, servicers, investors, and service providers.

Our depth, scope and experience in the reverse mortgage business are without equal or peer.

If you believe we may be able to be of assistance, please visit us at www.wbkidder.com, contact us at info@wbkidder.com or Jim Wiener at jwiener@wbkidder.com or 214-526-8000.

Technology

These members offer a wide spectrum of technologies used in the marketing, origination and servicing of reverse mortgages.

Title Insurance/Closing Services

These members sell title insurance, which protects real estate owners and lenders against any property loss or damage they might experience because of liens, encumbrances or defects in the title to the property.

Chancellor Title Agency, Inc.

TICOR TITLE™

Wholesale Lenders

These members work with independent mortgage brokers to originate reverse mortgages. Once the counseling session has been conducted and the application taken, the loan is processed, underwritten and funded by the wholesale lender.

FINANCE of AMERICA
– REVERSE –

Your Preferred Wholesale Lender

Who's Who in Reverse Mortgages

Profiles of Member Companies

Allegiant Reverse Services

Allegiant Reverse Services, a division of FNC Title Services, LLC., is a full-service title and settlement company with a national footprint. Our seasoned staff is regarded as the most knowledgeable and professional team in the industry. This, along with our steadfast dedication and loyalty to the reverse mortgage industry, continues to make us the partner you can depend on.

Megan Hafenstein, VP
megan@allegiantreverse.com • (916) 755-0224
https://allegiantreverse.com/

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

Bay Docs, LLC and Reverse Express

Reverse Mortgage Document and Loan Origination System

Established in September 1994, Bay Docs, LLC is solely committed to the reverse mortgage industry. This dedication to the industry confirms our knowledge of the reverse mortgage industry and its commitment to our clients. We provide a Reverse Mortgage Loan Origination Service, **Reverse Express™ (REX)**, along with document services to any originator that offers the Home Equity Conversion Mortgage (HECM) and some Proprietary Reverse Mortgages. REX is a complete LOS from pre-application, origination, processing, underwriting, post-closing and closing and much more. Our system is completely web-based and is compliant in both documents and technology

Contact: Kathleen Leonard, kleonard@baydocs.net
(888)297-3627 • www.baydocs.net

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.

From our exclusive HomeSafe® jumbo to HECM products, you'll receive the tools and exceptional service to help you grow your business.

Join the FAR family where you can expect best-in-class training, competitive pricing and a variety of lending platforms.

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

FSI

FSI Mortgage is a member in good standing of the Utah Better Business Bureau and a member of the National Reverse Mortgage Lenders Association since 2002. We operate under the laws of the State of Utah's Division of Real Estate and the Idaho Department of Commerce. Our office is located in the Salt Lake City area, where we have been headquartered since 1999.

Because of our unique understanding and extensive experience with the Home Equity Conversion Mortgage, along with all other types of mortgage loans, we offer additional insight and helpful strategies for our clients' financial needs. Our loan officers are trained to focus on individual plans, rather than cookie-cutter loans. Our clients become a member of the FSI family, not just another loan number.

www.fsimortgage.net
Sabra Richins, Managing Member
800-808-3066

Guardian Asset Management

Founded in 2007, Guardian Asset Management has successfully managed and protected valuable assets for HUD, GSEs, servicers and private mortgage banks. Specializing in reverse mortgage servicing, we work diligently with our clients to find a comprehensive, cost-effective custom solution to protect and preserve their assets.

Our unique business model of W2 field employees and a direct "boots on the ground" national vendor network, coupled with industry leading field service technology, provides our clients a clear view into each asset. Our model minimizes operational gaps and expenses associated with each asset and provides higher quality and quicker service timelines.

Why Guardian?

- Experienced Management Team with Extensive FHA and Hermit Knowledge
- Fully transparent property management platform
- Integrated mobile application with real time results
- Client-centric approach & customized work flow
- "Boots on the ground" Direct Vendor network
- In-house QC and vendor training staff

Contact: Dan Leader
drl@guardianassetmgt.com • Phone: 215-354-6675
www.guardianassetmgt.com

HighTechLending

HighTechLending, dba AmericanSenior, 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

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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
For wholesale opportunities call 866-871-1353

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Longbridge Financial, LLC

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

New View Advisors LLC

New View Advisors provides capital markets valuation, risk management cash flow analytics, product development, quantitative research, and other strategic advisory services to the reverse mortgage industry. Established in 2008, our clients today are market-leading HMBS issuers and other securitization sponsors, private equity investors, bondholders, and originators for HECM and proprietary reverse mortgage loans. With more than 60 years of combined experience, we provide institutional clients access to multiple unique skillsets across the industry.

www.newviewadvisors.com
Michael McCully 212-475-4884
mkm@newviewadvisors.com

PRC

Premier Reverse Closings (PRC) is a national, full-service, reverse mortgage title and settlement company that has closed more than 175,000 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, Toll-free: 800-542-4113
abooth@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

Yogi Berra Was Right

By Jim Mahoney, Industry Founder, San Clemente, California

(Originally published in November 2010)

Jim Mahoney, along with Jeff Taylor, was a founder of and inspiration for NRMLA. After serving as chief executive of Financial Freedom and building it into the industry powerhouse, and chairing NRMLA's Board of Directors, he retired in 2008 to lead the good life in San Clemente and Hawaii. But after a five-year hiatus, during which time this article was written, Mahoney returned to the industry in 2013 as chairman of Celink, the largest subservicer.

SINCE I RETIRED IN 2008, I HAVE HAD AN OPPORTUNITY after 20 years in the reverse mortgage industry to step back and observe the "forest" rather than working every day in the "trees." I have had time to enjoy my time off and I enjoy watching my favorite sport, baseball, but we'll get to baseball later.

When I reflect on the state of the RM industry, I see a very difficult environment:

- Home prices are falling or flat;
- There is negative press about reverse mortgages;
- Consumer advocates are constantly vocalizing their concerns about reverse mortgages;
- The cost of marketing is high and it is difficult to make a profit;
- There was a limited investor environment;
- Numerous financial institutions have failed;
- Local governments are threatened by bankruptcy; and
- The HECM loan is not providing enough benefits to many prospective borrowers.

Well, if you are not too depressed by now, please read on.

Yes, it was a difficult environment. I am referring to the early 1990's when the industry was in its infancy.

- Take a look at home prices: 1991 – flat; 1992 – fell; 1993 – flat; 1994 – flat.
- The media was uneducated about revere mortgages and when we did receive press it was often negative press, which was the dominant environment.
- Consumer advocates were not very supportive and cautioned that reverse mortgages "were expensive and should be used only as a last resort."
- Marketing costs were high; there was no efficiency of scale as only a few thousand loans were made each year in the industry.
- There was limited profit margins on loans. Origination fees were limited to $1,600 and there were no investor premiums.
- We had a limited investor environment: only one investor, Fannie Mae.
- Financial institutions were failing. We had the S. & L. crisis.
- Governments were threatened. Orange County, CA was in bankruptcy.

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- The HECM was not providing enough benefit. Try using a Maximum Claim amount of $200,000, a margin of 2.2 percent, and an average ten-year treasury rate of six percent. Load that into your calculator and see what you get! We never thought a typical 75-year-old would receive more than +/- 50 cents for every dollar of home equity.

What does all this mean? What am I trying to say?

What I am not saying is that "times were tougher then." Things are very difficult now, but real estate is cyclical and it will come back.

We know real estate is cyclical, but when things are good (or bad), we often deny that the market can change and go the other way.

The industry has gone through tough times in the past and it is going through tough times now. But it can thrive again.

It is a very different and very difficult environment now and we have to evolve our business models. The business model that made Financial Freedom so successful in the past would have to be significantly different today. We would have had to adapt.

So, what do we do now?

If we go back to talking about sports (which I love to do), we can find many examples. One of my favorites comes from basketball, as I am a great fan of the late John Wooden who coached UCLA to an unprecedented ten NCAA Championships.

Coach Wooden never scouted the opposing team or worried about how the other team would change its game plan to challenge the Bruins. He focused his team solely on executing their plans and their game plan. He believed that if they executed as perfectly as possible, winning would take care of itself. With a record that will probably never be broken, I think that his method of focus on a team's plan execution and fundamentals has been proven.

So, if we cannot control our environment, or the other team, let's take control and perfect our own team and our own game, our own fundamentals.

Large loan premiums that can cover a multitude of inefficiencies will go away at some point and we must have a sustainable business plan that is executed as perfectly as possible.

FIRST STEP: Focus on Consumers

We need to recommit to our customer and "drink the Kool-Aid," so to speak, perfecting our relationship and process with the consumer.

- ALWAYS put the customer first.
- Advise and illustrate the best product for the customer's needs, regardless of margin or commission.
- Do everything possible to make the entire reverse mortgage experience pleasant from start to finish.
- Stay in touch with your consumer. After all, it is a lifetime relationship and most leads come from referrals!

SECOND STEP: Educate

- There are new "fears" to overcome and misunderstandings in the media.
- At the macro level, assist NRMLA in its efforts.
- At the micro level, participate in local community and educational events, not just "free seminars" to generate leads.
- Visit with local offices of city, state and federal politicians to educate them and their staffs.

THIRD STEP: Recognize Your Partnership with Government

Work hand-in-hand with FHA/HUD to achieve their objectives, not just ours.

FOURTH STEP: View Yourself as Part of an Industry

The industry only started growing significantly after the lenders banded together, formed NRMLA and, under Peter Bell's strong leadership, worked collectively to promote the industry and collectively solve its issues.

If we work together, share data, key processes and maybe even some technology and "sell" the benefits of the industry, we will raise the tide and I do believe "a rising tide raises ALL boats." It certainly did in the earlier years of this decade.

FIFTH STEP: Court New Investors

- Discover and address their specific needs and issues.
- Remember investors and customers are our life blood; we need both equally.
- Never forget new investors create more opportunity for income and more opportunity for product development.

While there are many other important aspects and attributes necessary to build and perfect a successful business model, I believe all of the steps above lead to greater acceptance and greater market penetration by our industry and products. And in the end, with only two percent current market penetration, isn't that our goal?

I will close by leaving you with an image I appreciate: There is a commercial on television these days for one of the financial planning companies. One woman who is thinking about the losses in her retirement account sends a text to a friend saying, "What happened?" The friend texts back, "Don't worry, things are cyclical, the market will come back, it always does."

At first, the woman is pleased to receive this answer. Then she turns somber and texts back, "Yes, but then how do I keep from losing it all over again?"

When we come out of this difficult period, we must stick to our fundamentals – hone them and execute them so we can work to sustain growth and "not lose it all again." Because, finally Yogi Berra was right! It is déjà vu all over again. RM

Give your customers assurance of your professionalism and integrity.

Become a Certified Reverse Mortgage Professional

The National Reverse Mortgage Lenders Association developed this rigorous certification for industry professionals who want to give customers the confidence to know they are working with thoroughly knowledgeable and devoted individuals.

Earning the CRMP* designation requires validating your experience, continuing your education annually, participating in our ethics workshop and passing an exam.

For for more information, visit nrmlaonline.org

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