Outside Looking In
Industry Advocates’ Perspectives on Reverse Mortgages
IN IT TOGETHER

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Meet This Month’s Contributors

Marty Bell (In Reverse, p. 3 and Another Way Reverse Mortgages Can Help Seniors, p. 21) is the editor of Reverse Mortgage and Tax Credit Advisor magazines, the senior vice president, Communications & Marketing at NRMLA and the executive director of the National Aging in Place Council.

Peter Bell (Balanced Viewpoint, p. 5) has a 39-year background as a housing policy analyst and advocate in Washington, DC. Mr. Bell founded and serves as president & CEO of the National Reverse Mortgage Lenders Association. In addition to NRMLA, Bell also serves as the CEO of two other national trade associations, National Aging in Place Council and the National Housing & Rehabilitation Association.

Darryl Hicks (Talking Heads, p. 11) is the vice president, Communications for NRMLA, where he writes our Weekly Report and administers our CRMP program. He roots for the Steelers and the Phillies and reads mysteries as he rides the Metro to work each morning.

Jessica Hoefer (A Day in the Life, p. 29) is the communications coordinator for Dworbell, Inc. where she is also the member services coordinator for NAIPC and assists with the publication of Reverse Mortgage magazine and Tax Credit Advisor. She came to NRMLA from the National Geographic Society. She is an avid reader, a theatre junkie and loves to travel.

Emily McDonald (Learning to Live Later Life, p. 22) serves as the director of Aging Mastery Program® Community Partnerships at the National Council on Aging (NCOA). She has more than ten years of experience working in multi-community, rapid-cycle innovation programs for older adults. She is a lover of traveling, books, walking and sugar.

Mark Olshaker (Outside Looking In, p. 15 and Borrower Chronicles, p. 25), our staff writer, is a best-selling author of fiction and non-fiction and an accomplished researcher in the areas of crime and medicine. Olshaker has written 15 books in all, including the New York Times Number 1 bestseller Mindhunter and most recently Law & Disorder, both with former FBI Agent John Douglas. He has also produced many documentary films, the latest being Who Killed the Lindbergh Baby? for NOVA on PBS. Olshaker is a former reporter for the St. Louis Post-Dispatch, who now resides in Washington and has built a large following for his MindhuntersInc.com crime blog, which argued Amanda Knox’s innocence from the get go. His latest book is Deadliest Enemy: Our War Against Killer Germs, with Dr. Michael Osterholm and recently published by Little Brown.
Evidence

21!

No, I’m not at a casino. I’m at the Retirement Research Consortium Annual Meeting in Washington where each summer 21 teams of researchers from universities and nonprofit think tanks present new papers. The conference is sponsored by the Social Security Administration and the purpose is to provide them with evidence that influences their stances on public policy. (One of this year’s papers indicated a brand new usage for reverse mortgages, which you can read about on page 21, Another Way Reverse Mortgages Can Help Seniors).

In last month’s issue, inspired by the 30th anniversary of the HECM program, staff writer Mark Olshaker interviewed a dozen industry pioneers and current leaders on how our industry got to where we are and where we are headed. This month we sent Mark out to discuss the same topic with people outside the industry who have worked closely with us over the years—former HUD officials, think tankers, academics. (Outside Looking In, p.15). One of Mark’s interviewees is Jamie Hopkins of the American College and a frequent speaker at NRMLA events, who believes that a missing element in the national reverse mortgage conversation is an independent, third-party, non-biased research firm to help shape public policy. A think tank focused on reverse mortgages.

NRMLA has supported some research in the past—focus groups and a consumer survey in 2009 and an upcoming study of results of post-closing counseling. But NRMLA is the industry trade association devoted to the health of the industry, and therefore cannot provide the same legitimacy as research from a third-party assessment.

We tend to be driven by opinion rather than evidence. There are so many things we don’t know. The single most important is the long-term life outcomes and journeys of borrowers. In 2008, AARP reported 93 percent of HECM borrowers were happy with their loans, but that’s about as much as we know. How have HECMs affected health outcomes, being able to remain in homes, retirement funding lasting until the end of life? If costs were lower, or the product name was changed, would the market grow? Without a major retail brand in the business, how do people know who to approach and if they can be trusted?

What the annual RRC event in Washington shows is research is not a one-shot or occasional but an ongoing process to track changes and progress. And I think that research encourages more research. Give them a place to present and they will come.

Also in this issue you will find a story about the Aging Mastery program conceived and organized by our friends at the National Council on Aging and now being taught to gatherings of seniors around the country. The program assumes nobody really knows how to age well and that it can be taught. NCOA works with partners such as companies like yours.

Marty Bell, Editor
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WE HAVE BEEN HEARING A LOT OF DISCUSSION lately about the relationship between health and housing. And it seems to me this has a lot of relevance to the reverse mortgage industry.

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, which utilizes data to provide evidence that environment and living conditions have as much effect on what goes on inside our bodies as genes and behavior. Highest on the list of critical determinants is housing. A good, familiar home environment could improve overall health and even extend life. Thus, having the means to afford to remain in your home in retirement can mean a better later life—and reverse mortgages help support that.

A goal of the ACA—and one it is achieving—has been to enable people to spend as little time as possible in hospitals and nursing homes, which are both loaded with operational expenses, and as a result lower the financial strain on Medicare and Medicaid. In order to do this, residents must have access to in-home or easily reachable services and care, thus the rise of small, neighborhood urgent care and women’s care clinics, and the aging in place movement. In-home health-care, caregiving for essential daily activities, transportation, food delivery and financial advice must all be conveniently available. All of these things cost money and some of them (health, care, other family emergencies) are not things you can anticipate or prepare for. Everyone can benefit from having their own “shock” fund, a role a reverse mortgage line of credit can play.

In 1981, the Medicaid program, which was first implemented in 1965, added an option called Medicaid Waivers. With regard to aging, Medicaid originally only paid for low-income seniors to stay in nursing homes. The waiver program expanded usage by giving states the option to test new ways to deliver and pay for healthcare services. States create their own programs so there is a wide variety. One of the most popular across the nation is Home & Community Based Services (HCBS), the concept of which is that if people choose, they should be entitled to get the same services in their homes they can get in institutional facilities.

Medicaid has asset and income restrictions, but many older Americans support homes in which they have equity with combinations of Social Security, VA benefits and Medicaid Waivers.

If the ACA is repealed, or Medicaid funding is chopped to help support a tax cut, consensus is the first thing to go will be HCBS. While paying for nursing home residency is a mandatory part of both current ACA and proposed alterations, HCBS is at the state’s discretion. If HCBS is cut, it is likely that large numbers of older people are going to be forced out of their homes and into nursing homes, which will end up draining more taxpayer funding than the national cost of Medicaid Waivers. One colleague in the senior living industry told us, “I can care for four people on what it costs for one to live in a nursing home.”

It seems to me, when you are sitting across the kitchen table from a potential borrower, the ability to converse comprehensively about the evolving relationship between housing and healthcare is of value. In health, we can never really know just what’s coming. With stable housing, we can create security. Reverse mortgages are a valuable tool in both areas.
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HUD Secretary Focuses on HECM in Keynote Speech

Speaking before LeadingAge Florida, one of the state’s oldest and largest senior advocacy groups last month, Housing Secretary Ben Carson underscored his commitment to supporting HUD programs, such as the Home Equity Conversion Mortgage, that promotes healthy living and financial independence.

He acknowledged the growing popularity of reverse mortgages, but also pointed out the challenges caused by seniors accessing the maximum amount of their equity upfront, leaving them without sufficient resources to pay their taxes or insurance. Others, he said, took out reverse mortgages in their own name leaving off their spouse, which put the “non-borrowing” spouse at risk if the borrower passes away. In these situations, the loan was in the name of the deceased spouse and the home was sold to pay off the loan.

“These problems have lingered and need to be addressed,” Carson said. “Adjustments need to be made.”

Carson reassured attendees that steps have been taken to protect consumers—including amendments to the non-borrowing spouse rules, financial assessment and draw limits—and promised guidance for lenders and servicers on the recently-issued HECM Final Rule over the coming months.

“HUD will continue to monitor program performance,” he commented. “We are implementing these changes between now and September, and will provide guidance to help lenders and service providers. Loan documents will be updated and system requirements will reflect these changes.”

Passing of a Reverse Mortgage Pioneer

James B. Nutter, Sr., a prominent business and civic leader in Kansas City, MO, who founded and operated one of the nation’s largest family-owned mortgage companies that one day would originate the first Home Equity Conversion Mortgage, died on July 7. He was 89.

After earning a business degree from the University of Missouri in 1949, and serving one and a half years in the U.S. Army, Mr. Nutter started James B. Nutter & Company in 1951 out of his home.

In 1989, J.B. Nutter participated in a national lottery held by the Federal Housing Administration and became one of 50 lenders from 267 applicants to participate in a reverse mortgage demonstration program. The company was credited with making the first HECM to 79-year old Marjorie Mason of Fairway, KS on October 19, 1989.

Since then, the company has originated or acquired over 35,000 reverse mortgages and currently services a portfolio of 20,000 loans.

“My father left an incredible legacy in the mortgage banking business,” Jim Nutter, Jr., president and CEO, told Reverse Mortgage magazine. “He obtained his FHA approval over 60 years ago and believed passionately in helping people from all walks of life enjoy the benefits of home ownership. He was extremely proud to have originated the first HECM loan in 1989 because he believed the HECM program made a positive impact on the lives of our seniors by helping them enjoy the home where they made all their memories.”

Sorting Through the Changes

On September 19, FHA’s HECM Final Rule will take effect and impact many parts of the loan process, from counseling to servicing.

Compliance officers, business owners, attorneys and loan originators attend NRMLA’s Annual Meeting & Expo because we provide the most comprehensive forum to discuss these updates and how they impact your operations.

Take advantage of this opportunity to attend the 2017 Annual Meeting & Expo to hear from industry experts. Get your CRMP continuing education credits. Network with industry leaders. And come together to improve the reverse mortgage experience. Register today at NRMLAonline.org.

Financial Help for Delinquent HECM Borrowers

For HECM borrowers who have fallen behind on paying property taxes, homeowners insurance or condo fees, in addition to FHA’s loss mitigation tools, an increasing number of states have allocated federal “hardest hit funds” to help reverse mortgage borrowers stay in their homes.

These four state programs can help delinquent HECM borrowers:

- California’s Reverse Mortgage Assistance Pilot Program
- Florida’s Elderly Mortgage Assistance Program (ELMORE)
- Illinois’ Reverse Mortgage Assistance Program
- New York’s Mortgage Assistance Program.

States Picking Up the Slack on Retirement Savings

Oregon is among a growing list of states that are expanding efforts to give more people access to retirement savings accounts, even as the federal government shut down a program that aimed to do the same.

In her article, “States to pick up slack on retirement savings as feds back out,” CNBC personal finance writer Sarah O’Brien...
The Biz continued from page 7

reported that 30,000 participants in the Obama-era program—called myRA and intended for people with no access to workplace savings plans—received notice from the Treasury Department that the program was being shut down because of low demand and taxpayer cost.

At the same time, Oregon is a month into the first pilot phase of its program, called Oregon-Saves. The law that created it requires employers to sign up their workers (who can opt out) for payroll deductions that go into an individual retirement account. A handful of other states—including Illinois, Maryland, Connecticut and California—are in the process of implementing similar strategies.

U.S. Loses Ground on Retirement Security

The United States dropped three spots to 17th place among the world’s developed nations for providing retirement security, according to the 2017 Global Retirement Index by Natixis Global Asset Management.

In an article, “The U.S. Is Losing Ground When It Comes to Retirement Security,” CNBC.com personal finance reporter Jessica Dickler reported that Europe dominated the top spots, with Norway at No. 1 for the second year in a row, followed by Switzerland and Iceland. Sweden ranked No. 4 and New Zealand rounded out the Top 5.

With more retirees around the world responsible for their own financial security, the countries that ranked highest benefited from a combination of strong social programs, widely accessible healthcare and low levels of income inequality.

According to Natixis, the U.S. has high per-capita income, stable financial institutions, low inflation, low unemployment and clean air, but also one of the highest levels of income inequality among developed nations and a growing ratio of retirees to employment-age adults, which means there are fewer workers to support programs, such as Social Security and Medicare.

The Press is talking about...

Preparing Clients for Family Caregiving

(http://www.thinkadvisor.com/2017/07/24/preparing-clients-for-family-caregiving/&shreturn=1502482917)

ThinkAdvisor.com, David LaMartina, July 24, 2017

Millions of retirees will receive long-term care—not from an assisted living facility or home care agency, but from their adult children—and a reverse mortgage could provide needed funds to pay for such services. While family caregiving is often a less-than-ideal situation brought about by a lack of assets or an inability to qualify for long-term care coverage, it doesn’t have to be. It can take a toll on caregivers and recipients alike, but with proper planning, clients, their parents and their children can preserve their assets and make the most of the situation, wrote freelance journalist David LaMartina. “For seniors lacking liquid assets, a reverse mortgage or home equity line of credit may also provide the income necessary for adult children to become full-time caregivers,” commented LaMartina. “Unlike LTIC benefits, home equity payouts aren’t qualified, and they can be flexibly used to pay for family care, part-time professional care, home renovations and more.”

Don’t Ignore This Serious Retirement Threat


CBS MoneyWatch, Steve Vernon, July 17, 2017

Taking out a reverse mortgage line of credit before you need it, and letting it grow until you do, was one of several strategies recommended by MarketWatch retirement contributor Steve Vernon to help families prepare for future long-term care expenses. “No magic bullet will easily or cheaply address the threat of long-term care expenses, but you can do things that will help,” wrote Vernon. Other strategies include leading a healthy lifestyle, buying long-term care insurance and maintaining a special savings account to be used just for long-term care expenses. “My wife and I have both had to address these issues with our parents,” commented Vernon. “While we both gladly pitched in to care for them—it was simply the right thing to do—our experience also motivated us to plan ahead to prevent this from happening to us and to help eliminate the resulting strain on our children.

Start saving early for retirement in case that last day of work sneaks up on you


Chicago Tribune, Liz Weston, July 16, 2017

NerdWallet columnist Liz Weston recommended to her readers that they start saving for retirement as early as possible because many people retire sooner than expected due to a layoff, a health crisis or the need to take care of a family member. When that happens, and if you own a home, “you can tap the equity either by downsizing (selling and moving to a smaller place) or using a reverse mortgage” to help supplement retirement income, wrote Weston.
NRMLA Recommends Changes to HECM Loan Docs

Comments submitted by NRMLA to the Department of Housing and Urban Development recommended that the HUD 92900-A form be eliminated and other existing HECM loan documents updated to account for recent regulatory changes, such as financial assessment and non-borrowing spouse protections.

“As a practical matter, the HUD 92900-A is a largely unusable HECM document from a consumer perspective,” commented NRMLA. Parts of HUD 92900-A are redundant with other documents that consumers receive in connection with a HECM application, while other pages are lender-specific or reference VA (Veterans Affairs)-specific information.

“We request that HECM consumers’ involvement with the 92900-A document be eliminated as the FNMA Form 1009 is a more suitable document to capture consumer information and/or make consumer disclosures,” added NRMLA.

Forms that NRMLA would like to see updated include: Fannie Mae 1009; Payment Plan Exhibit; HUD-1 and the Good Faith Estimate. NRMLA submitted its comments in response to a 30-Day Notice of Proposed Information Collection published by HUD on July 6. Read and download NRMLA’s comment letter from our online index of public comments at NRMLAonline.org.

NRMLA Supports HMDA Threshold Proposal

In comments submitted to the Consumer Financial Protection Bureau, NRMLA supported a proposed regulatory change that increases the benchmark which determines whether a lender must comply with new Home Mortgage Disclosure Act (HMDA) reporting requirements.

Under the proposed rule change, financial institutions that originate 500 or fewer open-end lines of credit (which includes reverse mortgages) in either of the preceding two years would be exempt from the HMDA reporting requirements. The final rule as currently written utilizes a 100 loan threshold.
NRMLA is generally supportive of the proposed changes in the 2017 HMDA Proposal and commends the Bureau for responding to concerns that the open-end transactional coverage threshold was, at 100 transactions, set too low,” commented NRMLA.

While supporting the threshold change, NRMLA asked the CFPB to delay the effective date of the final rule—set for January 1, 2018—because it still has security and privacy concerns and questions that require clarification.

Enacted by Congress in 1975, HMDA requires financial institutions to maintain, report and publicly disclose information about their lending activities. In October 2015, the CFPB published a 797-page final rule that expanded data collection requirements by adding 25 data categories and 100 data fields.

NRMLA Makes Recommendations to Reduce Regulatory Burdens

In its public comments to the Department of Housing and Urban Development, NRMLA submitted 16 pages of recommendations that will help reduce costs and regulatory burdens for reverse mortgage companies.

HUD published a notice in the Federal Register on May 15 informing the general public that it was reviewing existing regulations to assess their compliance costs and regulatory burden. This was in accordance with Executive Orders 13771, “Reducing Regulation and Controlling Regulatory Costs,” and 13777, “Enforcing the Regulatory Reform Agenda, Improving Regulation and Regulatory Review.” HUD also stated in the notice that, as required by Executive Order 13777, it was establishing a Regulatory Task Force charged with identifying agency regulations that should be repealed, replaced or modified.

Among the recommendations, NRMLA proposed that eligible non-borrowing spouses be given 180 days to obtain marketable title when seeking a deferral period after their spouse passes away, because the current 90-day timeframe “is much too short.” NRMLA pointed out that HECM loan documents do not mention the 90-day qualifying period. This lack of consistency is not only burdensome for lenders, “but puts FHA at further risk of litigation and loss,” according to NRMLA.

CFPB Updates HMDA Loan Scenarios Guide

The Consumer Financial Protection Bureau posted an updated version of its “HMDA Loan Scenarios” guide that financial institutions can use as an illustrative aid to help them file Home Mortgage Disclosure Act (HMDA) data.

The CFPB also updated its Resources for HMDA Filers webpage by posting new versions of the “Technology Preview,” “Filing Instructions Guide for data collected in 2017,” “Filing Instructions Guide for data collected in or after 2018,” and “Frequently Asked Questions (FAQs).”

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Jordan Levine
Senior Economist, California Association of Realtors

We need more homes  By Darryl Hicks

AS SENIOR ECONOMIST FOR THE CALIFORNIA
Association of Realtors, Jordan Levine advises industry
trade groups, elected officials and local government bodies,
as well as news media, about housing market conditions,
macro-economic trends and public policy discussions that
can impact the future trajectory of the U.S. economy.

For the past two years, Levine has kicked off NRMLA’s
Western Regional Meeting in Huntington Beach, CA, with
informative presentations on real estate trends in the west-
ern states and on generational trends among Baby Boom-
ers and older homeowners.

When he’s not speaking in front of audiences, Levine
runs a weekly podcast called “Housing Matters” and he is a
prolific writer who contributes articles on housing supply,
distressed sales, housing tax policy, housing affordability
and other subjects relevant to the real estate industry.

Reverse Mortgage magazine sat down with Levine to get
his thoughts on the current economy and other major issues
impacting senior homeowners.

Reverse Mortgage: Eight months into the new
administration how would you describe the U.S. economy
and the housing market?

Jordan Levine: The economy muddles along at the same
relatively lacklustre pace that we have had for the better part
of the current cycle. So the economy is growing, but not
at a pace that you would write home about. Consumers
continue to spend. Business investments have been tepid.
We continue to run trade deficits. And government spend-
ing has not come to rescue either. The housing market
continues to move forward. We are at normal
levels of unemployment, incomes have started to
rise and interest rates are still at or near historic lows.
Affordable by historic stan-
dards to be sure. That has
created demand for hous-
ing, but we are butting
up against a supply con-
straint. Particularly in Cali-
ifornia, but across the entire nation, we haven’t gotten
back to the historical averages of new construction. We
have a dwindling supply, which has translated into rising
home prices.

RM: What major economic trends are you keeping a
watchful eye on? Is there anything in particular that you’re
worried about?

JL: Most potential threats are external at the present time.
What differentiates this cycle from the last economic down-
turn is that most folks have fixed-rate mortgages and not
option ARMs (adjustable-rate mortgages) with payment
plans that will double overnight. That doesn’t mean that
I think the housing market is impervious to issues, but I
think it will take an external shock, whether it comes from
the financial markets and stock prices, or bigger job losses.
These are things I am watching out for and how they might
impact the housing market.

Talking Heads continued on page 13
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RM: During your presentation at the Western Regional Meeting this past May, you remarked that for the first time ever, the average length of time that people stay in their homes reached double digits. Are you seeing this primarily in California, or nationally? Does this help or inhibit the economy?

JL: It’s definitely exacerbated in California, but it’s not a California-only trend. If you go back ten or 15 years ago, we used to turn over seven to eight percent of the housing stock in any given year. But since then that has dropped to about four percent in California and five percent nationwide. Folks are staying put. Which exacerbates supply issues. Over the past decade, we have not kept pace with historical levels of building. Not only is there not enough housing stock, but now you have this lack of turnover on the stock that we do have. It creates more fierce competition for homes that are available for sale and pushes up prices and impacts homeownership. For folks who have already gotten into the market, it’s good for them from a wealth accumulation standpoint, because a supply shortage means that their homes continue to increase in value. But from a broader macro standpoint, the economy is healthiest when more people own homes and are accumulating wealth.

RM: In what areas of the country are you seeing the most growth in home price appreciation? And where has the housing recovery lagged?

JL: Arizona, Nevada, Florida and California were hit especially hard by the housing downturn, but California bounced back quickly because of job growth. California outpaced the nation for 65 or 66 consecutive months until the first quarter of this year, much of that coming from tech jobs. Seattle and Denver had similar recoveries. Areas hit hardest during the downturn, like Nevada and Arizona, haven’t enjoyed the same kind of bounce back on the job side and are still seeing tepid growth. Housing markets nationwide continue to move forward from a price standpoint, but it has been much slower for areas that don’t have booming job markets.

RM: Are there sections of the country which seniors are gravitating towards either because they’re less expensive or they offer amenities that attract retirees?

JL: Despite the fact that California has high home prices, it’s still a highly desirable place to be. Higher-income retirees who want to live in warm climates come to California, Arizona and Nevada. I also think there is an income tax component. Folks look for areas that don’t have a state income tax because they want to protect their fixed incomes, so they will look at Nevada and Oregon purely for that reason.

RM: From 2008-2010, the government offered a first-time buyer tax credit as a way to incent homebuying. Today’s problem appears to be that long-time homeowners don’t want to sell their homes. What can the government do to incentivize home sales?

JL: Get the supply constraints sorted out. This will help motivate people to move. Otherwise, nobody enjoys the prospects of going out and competing for housing, potentially giving up a house they really like, and getting outcompeted for properties that might be less desirable or that they might think they’re paying too much for.

RM: What major legislative initiatives are you keeping a watchful eye on, nationally and within the states?

JL: At the state level, there are always things happening and efforts to boost supply, which is one of the biggest challenges we have in California. So, I always keep a close eye on anything that promotes new development, or discourages it and exacerbates affordability. At the national level, I am most concerned by the fiscal policies and how we incentivize homeownership. We don’t have full clarity on exactly what the administration’s tax reform plan is going to look like, but there’s talk of changing the tax code in a way that reduces California outpaced the nation for 65 or 66 consecutive months until the first quarter of this year, much of that coming from tech jobs.
the incentive to buy a home. Homeownership has already fallen dramatically in the wake of the economic downturn. We know the benefits of homeownership from a wealth accumulation and societal standpoint. We want to ensure that we maintain an incentive that encourages people to take that leap into homeownership.

**RM:** I know there was some early talk about eliminating the mortgage interest deduction, but I thought those threats went away. What are you hearing?

**JL:** The mortgage interest tax deduction is safe, but the plan I’ve read would double the standard deduction. Anybody, regardless of whether they rent or own, can deduct about $26,000 off their annual taxable income. This eliminates the tax savings they get from moving from renter to homeowner, thereby rendering the mortgage interest deduction useless. I am not arguing against putting more money into renters’ pockets, which is a good thing, but there needs to be some incentive that gets people to make that leap to homeownership.

**RM:** There has been a trend away from home owning to renting, especially in the big metro areas. Is this the last generation of such widespread homeownership among seniors?

**JL:** That depends. The optimist in me thinks this will come down to an affordability issue and it becomes a function of supply. Here in California, we have lower homeownership because we have less affordability. Only one-third of households can afford a median-priced home. That’s why homeownership has taken such a beating. We have created all of these high-end jobs, but failed to build enough housing to keep pace with the population growth. The optimist in me wants to say that we are going to connect the dots on the reasons why affordability has declined so much and we are going to get busy addressing this major shortfall in housing to get affordability back in check and boost that homeownership rate, which I think is doable. But there are obstacles to overcome, both from a regulatory standpoint, and there is a public perception issue where folks don’t want new developments close to where they live. We need to get people open to the idea that this is a pay now for pay later issue. You don’t want that condo complex going up down the street, but you also don’t want your kids to leave for lower-cost states, like Nevada, Arizona and Texas, where the vast majority of Californians go. If we get affordability in check, I have no doubt that folks will become homeowners, because people still aspire to attain the American Dream. We can increase levels of senior homeownership 20 to 30 years from now, but it’s going to take a concerted effort to address the issues I just mentioned.

**RM:** Recent media reports suggest that America is losing its prominence among the world’s developed nations for providing retirement security. What are your thoughts as an economist on this issue?

**JL:** It’s more than just pure correlation that we have seen rising inequality and also an increase in the divide on the political and societal front. We are a nation of values and upward mobility. We’ve always valued homeownership and for people to do better than the generation before them. Homeownership has always been a big part of providing that upward mobility and retirement security. My father dropped out of high school when he was a teenager and somehow managed to get into real estate and accumulate some wealth. I was able to get to where I am today basically on the building blocks of his success. However, today when you look at the cost of housing and how much money folks make, I do worry about my kids’ ability to become homeowners without a huge amount of support from me. That’s bad from an economic standpoint. We want people to have more money, so that they can spend it and propel the economy. The bigger the divide between the have and have-nots, the more unequal our society becomes and the harder it becomes to address our biggest challenges.

**RM:** If you could give President Trump one piece of economic advice, what would that be?

**JL:** Promote homeownership. It’s one of the biggest building blocks for improving your life, your kids’ lives, future generations and the economy at-large.
IN THE JULY-AUGUST ISSUE, REVERSE MORTGAGE surveyed industry veterans for perspectives on why the number of HECMs issued annually has fallen by more than half between 2009 and this past year, and how such factors as the 2008 recession and the attendant drop in home values, new HUD rules and regulations, and the withdrawal of big-name financial institutions have affected the current conditions. Participants were then asked where they saw the industry today and where they foresaw it heading in the future.

This month, as a follow up, we posed similar questions to a group of expert observers and analysts who sit outside the industry to see how they perceive the recent history, current situation and future prospects for the growth of reverse mortgages. Both the commonalities and divergences in outlook between the two groups are enlightening.

The Meltdown

As with the industry insiders, there is consensus among the observers that the 2008-9 financial crisis had as great an impact on the reverse mortgage industry as it did on other housing and business sectors.

“With the housing collapse, home prices and values came down, so they had less equity. And this created a psychology in which people began to be very leery of having anything to do with mortgages,” says Terry Savage, a prominent financial columnist who appears regularly in print and broadcast media and is the author of The Savage Truth on Money and The Savage Number: How Much Money Do You Really Need to Retire? “In the Chicago Sun-Times, there was a story about a 93-year-old woman locked out of her house and having it sold at a tax auction.”

Meg Burns is senior vice president for mortgage policy at the Financial Services Roundtable’s Housing Policy Council in Washington, DC. Earlier in her impressive career, she was director of single family program development for FHA and helped shape the HECM program. While she agrees with the appraisal of factors in the volume downturn, she feels there are nuances to be taken into consideration.

“Immediately prior to the bust, we were having a boom. It was a period when real estate values were escalating and people were feeling good about their assets. We were under a lot of pressure at FHA to be more ‘generous’ from loan originators, from AARP and others. We responded, ‘Look, we’ve only operated this program under the best conditions. These good times could end. I said this several times, and then it happened.’

“We did an analysis,” says Stephanie Moulton, associate

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Professor at Ohio State University’s John Glenn College of Public Affairs. “HECM volume actually peaked in 2009. By 2008, the credit-forward market had tightened. The industry still had big players. Housing prices were not all the way down yet and borrowers who had locked-in in locations with previous volatility ended up looking pretty smart. Financial Assessment was not yet a factor; you have to keep that separate.

“To me, the big problem came when house prices finally dropped to their lowest level, and the big players were leaving the market, which left a branding issue. We found that in areas where bank branches closed, the market drop for HECMs was the greatest. People have day-to-day interactions with banks, like Wells Fargo, so they’re in there for a variety of reasons. You have no reason to walk into AAG or One Reverse (even if you could find a branch) unless you’re intentionally seeking a reverse mortgage.”

The Policy Questions

“The worst thing for a full loan draw is when home values decline,” says Burns. “That led HUD to make a number of policy changes. I felt there were too many ‘belt and suspenders’ regs all at once: default rules for taxes and insurance, Financial Assessment, new draw mandates, principal limit restrictions. Seniors who could benefit from reverse mortgages no longer qualified. I personally find Financial Assessment to be cumbersome. It’s a full manual underwrite for a collateral-based product.

“All of these contributed to a significant reduction in volume of this business.”

Moulton offers, “Financial Assessment was definitely an important factor, but I’m wary about blaming it. I would like to see it refined versus thrown out. I think it could be streamlined without throwing out the baby with the bathwater.”

Burns also takes issue with the way HECMs are currently insured. “One of the things I’ve said repeatedly is for HUD and FHA to move the product back to the
General and Special Risk Insurance Fund and away from the tight parameters of the Mutual Mortgage Insurance Fund. This would provide some breathing room to make decisions from a policy perspective.”

**The Current Scene**

Despite the setbacks and lower volume, each of these observers strongly supports HECM. At the same time, there is a pervading sense of a need to face the facts, even if they are not what we want to hear.

“I’m a huge fan of the house as the most important asset for most of the middle class,” states Alicia Munnell, Peter F. Drucker professor of management sciences at the Boston College Center for Retirement Research. “I thought lightbulbs would go off when seniors started realizing this option was available to them. I really had a vision of a future in which two couples would get together socially and they’d say, ‘Where did you get your reverse mortgage?’ Unfortunately, that hasn’t happened yet.”

“If you were to project to where you expected reverse mortgages to be by this time, it would be at much higher numbers,” adds Jamie Hopkins, professor at the American College of Financial Services and an expert in retirement planning.

There are a multitude of reasons for this, many of them all too familiar to industry insiders and watchers alike.

“There are assumptions about what family members want that have not been fully discussed among them. I think there are a lot of people who want to leave a bequest,” says Laurie Goodman, co-director of the Housing Policy Finance Center at Washington, DC’s Urban Institute. “But if you ask the adult kids, usually they’d much rather have their parents live comfortably without scrimping.”

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“In most cases, the children don’t want the house,” Munnell agrees. “There has to be better communication between children and parents.”

Many homeowners consider retiring the mortgage a watershed moment and source of pride. “Seniors don’t want to be in debt because they’ve worked so hard to be out of debt,” she states.

Hopkins splits the difference on the two questions. “Debt to seniors is a big deal. But legacy planning for kids is not as big a deal.”

Savage has a highly positive take and direct message on the debt issue: “You are not taking out a mortgage loan; you are having your home repay you for all those years of payments. Your house has turned into your pension.” She recommended and secured a HECM for her father’s condo in Melbourne, FL. “My brothers and I knew he wanted to sit out on his porch and listen to the ocean until the end of his life, which he was able to do, until three days before he died, with the combination of a reverse mortgage and long-term care insurance. It turned out to be a great idea that worked just as planned. He outlived the equity. . . and then some. . . and then some!”

Nor does Savage discount the psychological advantages. “The real key is self-respect. Being able to live on his own equity gave my dad self-respect.”

Contrary to the opinion of several insiders who worry about a single-product industry, Savage doesn’t see a need for various proprietary reverse products outside HUD and Ginnie Mae. “The biggest asset the industry has is that this is a government-sponsored product that they can never be kicked out of.”

At the same time, she acknowledges a widespread negative connotation to HECMs.

**Continuing Education**

The need for education on home equity uses and strategies is mentioned frequently in discussions about improving HECM volume. Hopkins sees both the opportunity and the challenge.

“Most people want to age in place, but they’re distrustful of things in which they have little experience. How do you develop that understanding and awareness at an early age? It’s very difficult. Studies have shown that far fewer people use reverse mortgages than should. Social Security, Medicare, the house – seniors are fearful of doing anything that would put those three things at risk. You can explain it and they say, ‘Yeah, but. . .’

“I’m not a believer that you can easily educate the public. Are we willing to commit the next 20 years to changing attitudes? After decades of the government explaining Social Security claims and Medicare, there is still a lot of confusion. Education is what you have to do forever.”

“Financial planners outside the mortgage space are probably the best hook and the place this education should occur,” states Burns.

“It’s really important that we find a way for financial services firms and the financial planning world to work together,” Hopkins agrees. “I think one way is through software platforms that can integrate them. And we need to find a big player to come back in; someone who can generate large volumes.

Burns believes that the education and attitude barrier could at least be partially overcome by offering easily accessible counselling services to seniors before the origination process begins. “I wish there were some way for counselling to occur just to help people figure out their financial futures.”

**Chickens and Eggs**

“The only way I know to find HECM lenders is to go to reversemortgage.org and use the lender locator,” says Savage. She then reels off ten or so names that appear on the screen. “As a consumer, I don’t know any of these companies. I ask myself, ‘Why isn’t Chase or Wells Fargo making reverse mortgages?’ You’re dealing with a name you’ve never heard of. What message does that send to potential users? I call them ‘users,’ not ‘borrowers.’ It’s been a marketing nightmare: no sterling silver financial names attached to the reverse mortgage industry. In fact, the best-known financial names have been seen to have moved away from reverse mortgages.”

“Dealing with names they’ve never heard of contributes to people’s sense of a sort of scamming reputation,” says Goodman.

Not having brand names operating in any business sector can call its legitimacy into question. But as everyone following the reverse industry knows, the big names did operate in the space and then effected strategic retreats for a variety of reasons, but one was certainly potential profitability versus potential corporate image liability. In other
words, it wasn’t worth it for the big players to come in unless or until the volume demand was there to justify the move.

“The future is a chicken-and-egg situation,” Moulton declares. “You need market volume for the supply side, but it won’t come without first establishing the demand side.”

“Somehow, we have to shake up the industry,” Savage states. “Instead of taking a proactive stance, the industry sat back and licked its wounds. And I think the name ‘reverse mortgage’ is awful,” she adds.

“The reverse mortgage in many circles has a squishy reputation,” Goodman concedes, “Though there aren’t many alternatives. You need a high FICO score for a home equity line of credit, and cash-outs and refinances become increasingly difficult as interest rates rise.”

Munnell comes back to the role of financial planners. “They’re not recommending HECMs. Unless a trusted advisor says you should have one of these, it’s very difficult to persuade people to do it. I’m such an enthusiast for the notion, but I’m stumped how to proceed.”

“There is no push from advisors to offer the product. For the ones who work on commission, this is a huge drawback. For fee-based advisors, it really shouldn’t matter. We need someone to come in and spark some of the planning firms,” says Hopkins.

Where Do We Go From Here?

“Where do we go from here? That’s an interesting question,” Goodman comments. “A reverse mortgage should be part of retirement planning. Intellectually, there is a tremendous argument that Baby Boomers should tap into their home equity. But will they?” She would like to see more contextualization: media articles dealing with various strategies for retirement and mentioning reverse mortgages as one tool rather than articles strictly explaining the product.

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“With the aging of the Boomer generation, which, as we all know, doesn’t have enough savings or pensions, it’s hard for me to believe the mindset is not shifting,” says Burns. “Demographics suggest there will be some newfound interest in this product.”

Hopkins lists “Three things worth mentioning:

1. “There is work to be done with HUD. Unclear regulations slow things down. We need clarification, and there are still some regulatory concerns.

2. “As far as education, NRMLA’s reverse mortgage credentialing is good, but at some point we need a broader sweep. Anyone who works in this has to have a baseline of learning.

3. “There needs to be outside research in ways to support longevity. This would have the most impact in influencing the popular press and public. The industry could do a better job supporting research, like the nonprofit foundations for housing, annuities and other issues. It does require a big commitment; it can’t just be a trade association. It has to be a third-party research organization.”

“It would be nice to see the advocacy community get on board,” adds Burns.

“If everything was as good as it was before, there’d be no incentive. But it’s a changing world,” Munnell says. “Pension plans are ending and it will become clear that the golden age is over. I think that tapping home equity has to be an approach for retirement planning. A reverse mortgage is a clean way to do it. Recently, we conducted a listening session in Hyannis. Several people said a reverse mortgage made the difference for them.”

And Savage reflects, “It’s so sad that so many seniors could live much more securely and independently if they knew how to take advantage of a reverse mortgage.” She invokes her trademark tag line: “And that’s the Savage truth!”

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Another Way Reverse Mortgages Can Help Seniors

Income and expenses don’t always match schedules  By Marty Bell

HALF THE COUNTRY LIVES PAYCHECK TO PAYCHECK. If people in that situation are hit with an “expense shock”—a medical emergency, a car breakdown, emergency travel—they do not have the funds available to enable action.

For a large percentage of retirees, that paycheck, their only paycheck, is Social Security. Even some of those who thought they planned adequately for retirement may reach a point where their only income is Social Security due to unexpected events or longevity.

Since 1997, the Social Security Administration has made its Old Age, Survivor and Disability (OASDI) payments on the second, third and fourth Wednesday of every month based on the recipient’s birthday. (1st-10th of month—second Wednesday; 11th-20th of month—third Wednesday; 20th-31st of month—fourth Wednesday.)

What this means is that in eight of the months each year, OASDI checks are received in 28 days, but in four of the months, the checks are received in 35 days. A research paper entitled “When Is It Hard to Make Ends Meet,” presented by Brian Baugh of the University of Nebraska, Jesse Leary of Financial Conduct Authority and Jialin Wang of the University of Illinois at the recent Research Retirement Consortium Annual Meeting in Washington, DC, provides evidence from a sample of 34,000 households, that this schedule can cause cash flow problems.

According to the report, “the incidence of financial shortfalls is significantly higher during long versus short pay periods. Households are five percent more likely per day to experience an overdraft during 35 day periods compared to 28 day periods. They are three percent more likely to bounce a check, 16 percent more likely to take out a payday loan and 31 percent more likely to take out a storefront payday loan.” Overall, the report claims there is a 13 percent chance a household will experience one of these financial shortfalls. Both overdrafts and loans result in unanticipated fees which can bite into monthly budgets.

There are also cash flow issues for some of those who receive their OASDI checks the second week of the month when most of their expenses are due the first week of the month. Those who receive checks the fourth week of the month are more likely to meet their monthly bills on time.

The current OASDI payment schedule can be a cause of unnecessary stress, as well as a menace to good credit ratings. When unexpected expenses materialize, people can find themselves in a panic mode and faced with can’t win choices.

The paper calls for better policies and tools to help consumers match their income and expenditures and avoid high-cost short-term solutions. In an ideal situation, bill payments would all be due the same time each month and income would arrive at the apropos moment. But that is not going to happen.

One helpful tool, of course, is the HECM. While Social Security benefits comprise the majority of income for 61 percent of retirees and 90 percent of income for about 40 percent of retirees, what many of these older people in need do have is significant equity in their homes. A HECM utilizing any of the payment options, but particularly as a line of credit, can cure the recurring problem of cash flow in the 35-day payment months and make sure the second Wednesday payees have enough money available to meet their needs at the beginning of the next month. With a line of credit, the growth factor might well replace what is borrowed. Or, what is borrowed can be replaced when income does arrive.
Learning to Live Later Life

NCOA Aging Mastery program provides training  By Emily McDonald

HOME IS WHERE THE HEART IS, BUT AS SOCIETY ages it’s also where people look for health and economic security. More and more, the nation’s 76 million Boomers are seeking the solutions for aging well in this unprecedented gift of health and time they’ve received. And it’s not enough to recommend that people “exercise daily” or “save more.” They need specific, engaging opportunities that motivate and support them to take these actions.

In 2013, as National Council on Aging (NCOA) President and CEO, Jim Firman, entered his 60’s he realized even with his extensive knowledge of aging he did not have a good pathway to age well. Luckily, NCOA has a history of understanding, developing and implementing real-life solutions to address the challenges of aging, and have been making a difference in the lives of older adults for over 65 years. NCOA signature programs and services look at the whole person, understanding that health issues, economic security and social connectedness must all be addressed for individuals to live their lives to their fullest.

Using Jim’s idea, the organization’s more than 60 years of expertise and its network of community-based organizations and partners, NCOA created the Aging Mastery Program® (AMP) to develop new expectations, norms and pathways for people aged 50 to 100, to make the most of their gift of longevity. Importantly, AMP respects that aging well is a subjective term with various meanings. It’s not just about eating well and working out. AMP helps older adults and boomers build their own personal playbook for aging well. The program incorporates evidence-informed materials, expert speakers, group discussion, peer support and small rewards to give participants the skills and tools they need to achieve measurable improvements in managing their health, remaining economically secure and increased societal participation.

AMP guides individuals to create sustained changes in daily habits and behaviors. The advantage of changing habits is that once behaviors become automatic, participants no longer have to use energy or willpower to maintain positive decisions. AMP covers a range of behaviors that include nutrition and fitness, but also extend to sleep patterns, relationships, economic health, civic engagement, advance care planning and other topics vital for aging well.

The in-person, ten-part class is held at sites where older adults and Baby Boomers already gather in their communities, such as senior centers, churches and community centers. To become a licensed site to offer the program, organizations go through online training by NCOA and access the program materials through an online AMP Community–where it can also connect with fellow sites and ask questions and share best practices.

Research and evaluation have been a core part of AMP from the beginning. NCOA’s primary research partner is the Columbia Aging Center, out of the Columbia University Mailman School of Public Health. Preliminary results of over 7,000 participants in 200+ sites across the country show that AMP participants significantly increased their physical activity levels, healthy eating habits, use of advanced planning, social connectedness and participation in evidence-based self-management programs after taking the core curriculum. A recent quasi-experimental study with SUNY Albany found significant differences in days walking, minutes walking, information planning and care planning actions for the intervention group as compared to the control group. These differences were sustained approximately three months later. The findings suggest AMP can help older adults build their self-management skills, consider critical issues to their current and future well-being and successfully maintain themselves where they would like to live.

NCOA searches for strong partnerships with organizations interested in presenting the program to their attendees or residents. To learn more about the Aging Mastery Program®, including costs to host the program, go to www.ncoa.org/AgingMastery. To explore AMP partnership opportunities, email AMP@ncoa.org.
Navigating Longer Lives: The Basics of Aging Mastery – Introduction to the program and its philosophy with a special emphasis on the new realities of aging, making the most of the gift of longevity, and taking small steps to improve health, financial well-being, social connectedness, and overall quality of life.

Exercise and You – Discussion of the importance of exercising both the mind and the body with a focus on strategies for incorporating meditation, aerobics, strengthening, flexibility, and balance into daily routines.

Sleep – Overview of how sleep patterns change as we age, the importance of monitoring the sleep cycle, and simple strategies to improve sleep.

Healthy Eating and Hydration – Review of nutrition as it relates to aging with a focus on strategies for incorporating healthy eating and hydration into daily routines.

Financial Fitness – Introduction to strategies for remaining economically secure in an era of longevity with an emphasis on setting financial goals and setting financial boundaries with friends and families.

Advance Planning – Guidance around key steps needed to manage health care, financial, and housing/care decisions with a focus on considering the role of personal values and beliefs in these decisions.

Healthy Relationships – Exploration of the benefits of being socially active, as well as the risks of isolation with a focus on practical strategies for continuing to build and strengthen friendships and family connections as we age.

Medication Management – Best practices on how to take medications as directed, how to store medications safely, and how to keep track of multiple medications.

Community Engagement – Introduction to the value of continuing contribution and small acts of kindness with a focus on identifying personal aptitudes for meaningful volunteer and civic opportunities.

Falls Prevention – Overview of the importance of falls prevention among older adults along with strategies to prevent falling.
Today’s reverse mortgages: Flexible, with a lot of built-in protection

Peter Bell, president and CEO of the National Reverse Mortgage Lenders Association, answers homeowners’ top questions about reverse mortgages.

1. **What exactly is a reverse mortgage?**

A reverse mortgage, in simple terms, is a home equity loan that creates liquidity for older homeowners and does not need to be repaid until the borrower moves, sells the house, or passes away. Loan amounts are determined by a formula based on the home’s appraised value, the youngest borrower’s age, and current interest rates. Borrowers, or their heirs, typically repay the loan with either proceeds from the sale of the house or with funds available from other assets.

Reverse mortgages were designed to help seniors, aged 62 and older, convert equity into cash that could be used to supplement a fixed retirement income and pay for medical and other daily expenses. I like to look at it as you spend a career supporting your home and then when you retire, your home supports you.

Over time and with the help of financial planning experts, we’ve learned reverse mortgages are a versatile and beneficial tool in a comprehensive retirement income plan.

2. **What makes reverse mortgages a good way to access home equity?**

Flexibility. Borrowers choose how they want to receive loan proceeds—as a lump sum, regular monthly payments, a line of credit, or some combination. Borrowers also choose whether to make principal and interest repayments, or wait until they are required to do so at the end of the loan.

And borrowers can use loan proceeds without restriction—to pay off an existing mortgage, make home improvements and modifications, bridge funding gaps to delay collecting Social Security, protect investments, or meet unanticipated expenses of aging such as medical emergencies or caregiving needs.

3. **What is a Home Equity Conversion Mortgage or ‘HECM’?**

HECMs are simply reverse mortgages that are insured by the Federal Housing Administration (which is part of the U.S. Department of Housing and Urban Development, also known as HUD). More than one million senior households have benefitted from a HECM and nearly all reverse mort-

gages made today are FHA-insured. That means they are subject to the FHA’s loan limit of $636,150, though some lenders do offer proprietary loans including “jumbo” reverse mortgages for high value homes.

4. **Are there any risks involved in taking out a reverse mortgage?**

Actually, the HECM program includes many consumer protections. HECM lenders follow HUD’s guidelines including limitations on origination fees. To qualify, the applicant must have an assessment of their finances and attend a pre-application counseling session. What’s more, the HECM is a non-recourse loan—which means that when the home is sold, the borrower or estate does not have to repay more than the home’s current appraised value, even if the loan balance exceeds that amount.

Borrowers must remain current on property taxes, homeowners’ insurance, and home maintenance, or risk defaulting on the loan.

5. **How does an HECM line of credit compare to a typical home equity line of credit?**

HECMs were designed specifically for seniors and carry certain advantages over HELOCs. To start with, HECM financial requirements are less restrictive for a retiree or self-employed worker than a HELOC would be because the loan does not require monthly principal or interest payments.

Most HELOCs will require a monthly payment during the draw period and then an increased payment once it resets. Unlike a HELOC, a HECM line of credit will never be frozen or reduced, even if the property value decreases. Perhaps the most innovative aspect of the HECM is the line of credit growth feature that applies to the unused portion of the LOC and increases the amount you can borrow over time.

6. **How can I find a reputable reverse mortgage lender?**

Reverse mortgage lending is a specialized field; not all lenders offer them. We recommend borrowers work with a member of the National Reverse Mortgage Lenders Association who is bound by our Code of Ethics & Professional Responsibility. A state-by-state list of NRMLA members, including those who have earned the Certified Reverse Mortgage Professional designation, is available on our consumer education website www.reversemortgage.org.
THE COUNSELLING PROGRAM for seniors prior to closing on a HECM is well-known. What is not as well-known, and in need of more support, is what post-closing counselling can do for those who have a reverse mortgage and encounter unforeseen challenges.

Carolyn Dunn of Palmdale, CA, has spent most of her life serving and helping others. So, when she needed help to maintain the reverse mortgage that allowed her to remain in her beloved home, close to her children and grandchildren, it is gratifying that there were organizations and people ready and willing to help her.

Carolyn was born in Pomona, CA, the youngest of five children, and describes herself as a “World War II baby” who grew up watching the inspiring newsreels of the American fighting men overseas. Her father, a carpenter, helped build the famous Los Angeles County Fairgrounds in Pomona, now known as Fairplex and the site of the annual L.A. County Fair. Her mother worked at Montgomery Ward during the war.

The family moved northeast up to a ranch in Bishop in the Owens Valley where they raised cattle, horses, pigs and chickens and from which her dad organized pack train excursions for tourists. “We lived near the Paiute Indian reservation,” Carolyn recalls. “I became friendly with the daughter of the chief, and we used to love to listen to his stories of the old times and the West.”

Sadly, her dad passed away when she was only 12, which she believes helped contribute to her marrying at 15 to Arland, a 17-year-old boy from a neighboring town. The young couple was determined to make it on their own and moved to Southern California, where Arland found a job with Standard Oil. Ten months later their first child, a daughter, came along.

Arland had a talent for salesmanship, so he began working for a photo portrait business. Eventually, he and Carolyn bought out the business and had salesmen fanned out across the country. It did well until the popularity of Polaroid color photography rendered the business no longer viable. Shortly after that, they divorced and Carolyn moved with her two daughters and one son back to Bishop to be near her mother. Carolyn was looking for work and a local church needed a
part-time secretary. Always spiritual, she became involved in the life of the faith community and helping others.

She moved to Las Vegas for a while, where she joined the Love in the Name of Christ ministry, working with local churches as an advocate and aided people needing a variety of help.

When her mom died, she moved to Palmdale, north of Los Angeles and the Angeles National Forest, where she could be close to her three children, Debbie, Jeanna and Michael, and where she says she now has “a whole slew of grandchildren and great grandchildren.” Once again, in Palmdale, she became a church secretary. “It’s a wonderful place,” she says. “All races and nationalities attend.”

Though she eventually had to give up the job because of persistent spinal problems that have prompted nine surgeries, she still volunteers there and created a program known as Alpha, in which veteran and new members meet and talk once a week in a class. “It’s for anyone: new believers and non-believers alike. We welcome everybody, because Jesus did.”

Carolyn had a forward mortgage for the one-story, two-bedroom house on a large lot that she loved. Then she heard about reverse mortgages and secured one through Wells Fargo. “It’s just been super,” she states. “It’s worked out fine for me.”

She had been receiving alimony payments from her ex-husband, but when he passed away she was reduced to her modest Social Security income and maintaining the house became a challenge. “I was having trouble making tax payments and Wells Fargo was going to foreclose. I really didn’t know where to turn. Wells Fargo sent me a list of people I could talk to, and I called a group called Clearpoint. They referred me to Keep Your Home California.”

Keep Your Home California assists homeowners who have suffered a financial hardship, to help them stay in their homes, maintain an affordable mortgage payment and avoid foreclosure. It receives both state and federal funding and is one of a group of cooperating agencies and nonprofits that work together to aid seniors. Another helpful organization is HOPE NOW, based in Washington, DC, which works with servicers and counselors to help troubled homeowners and more recently delinquent reverse mortgage borrowers. HOPE NOW was created by mortgage servicers after the 2008 financial crisis at the suggestion of former Treasury Secretary Henry Paulson to help prevent foreclosures. Keep Your Home California and HOPE NOW work closely with Clearpoint, a division of Money Management International, a network of nonprofits that provide consumers with free credit counseling and education.

Beatriz Becerra, a certified housing counselor with Clearpoint in Los Angeles, was assigned to work with Carolyn on an application process for tax relief funds. “We work directly with homeowners to meet Keep Your Home California’s criteria,” she explains. “It involves intensive counseling and helping with paperwork.” The process usually takes between 45 and 90 days.

For reverse mortgagees, the program can cover current property tax delinquencies and up to 12 months of future taxes, to a $25,000 maximum.

Becerra’s knowledge and dedication comes along with an easygoing and empathic demeanor. The two hit it off and Carolyn says, “When this program came along, it was a godsend.”

For her part, Becerra comments admiringly, “It was hard for her to gather all the necessary paperwork, but she just stuck with it and it paid off for her.”

In addition to California, a few of the other hardest-hit states offer senior assistance programs, including Florida, Michigan, Illinois and Oregon. HOPE NOW is currently working to create programs in states that do not have HECM foreclosure assistance programs.

“We really want to prevent seniors with reverse mortgages from losing their homes where they don’t have to pay mortgages or rents,” Becerra says. If they lose their homes to foreclosure and have to start paying a new mortgage or rent, that could be a catastrophe for them.”

Carolyn lives happily now with Scamp, her white Maltipoo (Maltese-miniature poodle mix) whom she describes as “a little love bucket.” She makes jewelry and loves gardening, particularly roses. She is looking into programs to try and get a loan or stipend to re-landscape her property, whose vegetation was mostly wiped out by California’s extended drought. Altogether, though, she says she is “really fortunate” where, and how, she lives.
COMMENTARY:

CFPB Releases Misleading Report On Social Security Deferral Strategies

By Jamie Hopkins, The American College

THE CONSUMER FINANCIAL PROTECTION BUREAU released a new report on Social Security and reverse mortgages that is so limited in scope and riddled with inaccurate statements that it likely does more harm than good. The report takes a blunt swipe at using home equity through a reverse mortgage to support deferral of Social Security benefits. Without acknowledging the nuances of various strategies that coordinate the use of home equity as part of a comprehensive approach to retirement income planning, the CFPB universally condemns all Social Security deferral strategies that include replacing income in the early years of retirement with draws from a reverse mortgage. With this blanket condemnation, the CFPB naively disregards ancillary benefits to other retirement assets that a consumer or his advisor may rightly wish to conserve. Additionally, the CFPB’s analysis portrays Social Security deferral in a negative light, potentially causing more retirees to lose valuable lifetime income by claiming benefits too early. The CFPB’s analysis, misrepresentations and inaccurate conclusions fail to provide a comprehensive review of potential benefits of Social Security deferral and proper use of home equity. Instead the report unleashed an overly broad and inaccurate censure that could hamper meaningful discussion.

Without question, the CFPB is correct that consumers should understand the benefits of Social Security deferral and the risks and costs of using reverse mortgages. Unfortunately, the report fails to paint an accurate picture of the reverse mortgage, its potential synergistic effect on other assets, and Social Security benefits, all of which should be carefully evaluated for greater retirement income security.

To begin, the report inaccurately paints Social Security deferral as having minimal benefits to retirees. The scenario the CFPB analyzes has a single woman, expecting to live an average life expectancy, “delay” benefits until her full retirement age of 67. However what they are describing is not actually a delay of benefits but instead a strategy that helps the woman avoid claiming benefits early. The reality is that you are not delaying your Social Security benefits by waiting until full retirement age. Your benefits are reduced if you claim them early at 62. When you defer or delay benefits past full retirement age that is when you are actually getting an increase for waiting to collect. This mischaracterization by CFPB gives the impression that the normal or correct Social Security claiming age is 62, which could lead more people to start claiming early with reduced benefits.

Adding to that confusion, the CFPB’s narrative implies that delaying Social Security benefits provide minimal benefits to the individual because they ignore the longevity protection of Social Security and the cost of living adjustments that help protect Social Security from inflation. The CFPB analysis shows that for a woman with an average Social Security benefit, by avoiding early claiming, she can expect a present value increase of roughly $30,000. While an increase of $30,000 is nice, it only shows a very minor benefit. In reality, deferring Social Security benefits in the right situation can lead to hundreds of thousands of dollars of increased benefits. The reason for the huge disparity is that the CFPB’s analysis has the woman living to an average life expectancy and Social Security deferral’s real benefit is to help protect against longer than average life expectancies! By ignoring the true benefits of Social Security deferral, the CFPB makes a poor argument for deferral and implies that it has minimal value to Americans, when in reality it can provide amazing longevity and inflation protection worth hundreds of thousands of dollars to retirees.

Next, the CFPB compares the present value increase of waiting from 62 until 67 to collect Social Security benefits with the total future value of a reverse mortgage cost. This is really unfortunate because you fundamentally cannot compare present values to future values and come up with

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a valid conclusion. Even with the CFPB’s incredibly flawed analysis, using a reverse mortgage to help fund a retirement from 62 until 67 creates a positive situation for the consumer; however, instead of concluding that reverse mortgages can be used effectively to improve a retiree’s Social Security benefits and retirement security, they continue to see what happens if the reverse mortgage loan is not repaid and is left to grow for another 18 years. Again comparing future value costs to present value Social Security benefits, the CFPB concludes that the strategy does not work. Instead of making a very valuable point here about how compounding interest can work against you when you borrow, just like how it works for you when saving, the CFPB jumps to an overly generalized conclusion that “borrowing a reverse mortgage loan to get an increased Social Security benefit carries significant costs that generally exceed the additional lifetime amount gained from delaying Social Security.” How can their analysis of one scenario, with a low present value benefit from Social Security deferral, no adjustments for inflation, and no mention of longevity protection lead to the declaration that “generally” reverse mortgages carry such risk to the strategy? They might even be correct that in most cases you should not use a reverse mortgage to fund Security delays, but the conclusion is not properly drawn from their analysis and therefore improper.

The report is wrought with other mistakes as well. It overestimates reverse mortgage costs, origination fees, and servicing fees in order to show a more expensive product than exists today. For example, the report adds in a servicing fee of $35 a month; however these fees are basically extinct in the market. The report also fails to mention, even once (not even in a footnote!), the impact of lender credits or brokerage credits in offsetting closings costs. This ignores the reality of reverse mortgages today to inflate the costs of the product in a potential attempt to mislead or discourage people from properly using home equity to defer Social security benefits.

In the end, CFPB’s analysis is incredibly flawed, misleading, and harmful. They rush to amazingly general conclusions about an entire strategy based on one scenario, but even that scenario shows a benefit of the strategy if used correctly. The strategy itself is likely employed by less than .1 percent of the United States population, so one has to wonder why the CFPB is spending their time and taxpayers money on such an ill-conceived and misleading report. If anything, the strategy is probably vastly underutilized not over. Instead of driving American’s away from a strategy that the CFPB showed was viable, they should be looking to provide guidance and insight into how Americans can effectively use home equity, Social Security, and reverse mortgages in positive ways to improve their retirement security.

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7:00 a.m.: Bob Marseilles’ day technically began when his three-year old son, unable to sleep, woke him up at 1:30 a.m. Within several hours of his unexpected wakeup call, Marseilles is at his desk preparing for his annual sales meeting in Seattle.

Marseilles, vice president of wholesale and correspondent lending for Liberty Home Equity Solutions, Inc. strolls sleepily, coffee in hand, into his sunny home office in Sacramento and dials in for his morning production review meeting where a production manager delivers month-to-date production metrics, issues requiring Marseilles’ review and approval and personnel/staffing notifications. (Marseilles bounces around amongst his three offices: his home office, his office in Irvine, CA and Liberty’s corporate office in Sacramento).

8:30 a.m.: Marseilles oversees both the wholesale and correspondent lending channels of Liberty’s three business channels, which also includes retail, and is responsible for the majority of business-to-business (B2B) production. Retail works directly with borrowers (consumer direct) and wholesale works with other businesses (mortgage brokers, bankers, correspondents, banks and credit unions).

Wholesale managers are multi-disciplined and have varied responsibilities, such as focusing on prospecting, new customer acquisitions, relationship building, training, education and providing support throughout the loan process. So, Marseilles spends hours each day reviewing and replying to a variety of emails: travel authorizations, expense reports, budget approvals, leadership initiatives and sales coaching. He also maintains regular correspondence with employees to help resolve any loan-level issues that arise.

This morning, Marseilles responds to a broker’s email regarding marketing messaging. The email includes a list of marketing mockups—digital design pieces—which need to be reviewed and approved for release in an upcoming periodical.

Aside from preliminary duties of staffing and support, Marseilles’ tasks include developing various platforms and processes for lead generation (the process of identifying and generating new partner relationships), new business acquisitions, wallet share growth of existing partners (gaining a larger share of a partner’s business), supervising P&Ls, margins and various pricing strategies for targeted segments, as well as service metrics and reporting, compliance adherence and various service (accountability) metrics.

Today, Marseilles provides one broker with an overview of features, processes and opportunities reverse mortgages offer, and explains how they can develop their own processes and procedures to support growth, while making recommendations on launching and integrating into the reverse mortgage space. He also answers crucial questions surrounding compliance, legal and marketing items.

10:30 a.m.: Marseilles schedules a couple hours each day to conduct his employee one-on-one meetings and check in with his staff. Liberty’s wholesalers specialize in building solutions for partners and designing business plans. “Although Liberty provides other support functions, our inside account executives and business development managers are responsible for everything from applications through funding. They are the relationship managers.

“Liberty is a smaller company and our two sales managers answer directly to me and I like to speak with them at least twice a week about production, competition and to get a weekly update,” adds Marseilles.

Recognizing and accepting the challenges that competition from other wholesalers brings is viewed as a strength at Liberty. According to Marseilles, “The space is tight and we think aggressive competition makes us better and forces us to compete and innovate. It’s all about maintaining a strong value proposition while constantly staying on top of a partner’s ever-changing needs.”

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12:30 p.m.: Innovation is carefully contemplated, after a lunch of salad and pasta, in what Marseilles and the rest of Liberty’s team refer to as “whitespace.” He explains that Liberty is a proponent of downtime for thinking and processing, to focus on strategy without interruptions and distractions. The one-hour a day exercise is prearranged as constructive time to strategize over investments, initiatives and how to better their business model.

“Whitespace” for Marseilles is often used to assess Liberty’s multi-pronged approach for attracting partners via digital and print advertising, through periodical subscriptions, conferences or industry reports; robust processes of checks and balances to ensure each loan in their pipeline is FHA compliant; and to ensure a customized partnership for each partner.

1:30 p.m.: Much of each day is spent in strategy or business development meetings, according to Marseilles, dealing with service enhancement, standardized or legal reviews and delivery sales analysis. One of today’s meetings happens to be a recap on July’s operations performance. “The meeting was fruitful, our pipeline was at an all-time high, funding exceeded the plan, and we discussed techniques to shorten our cycle-time and allow more funding for loans per month.”

Marseilles references a recent meeting in which a partner requested Liberty help them develop specific educational content to support their sales team’s growth while enhancing their knowledge of the reverse mortgage product. A routine meeting for Marseilles.

3:30 p.m.: Meeting times are also allotted to oversee training and education of partners, live or on-demand. Liberty’s educational tool, “Liberty Partner Academy,” delivers training videos to new partners. Marseilles and his team follow up with assessments to ensure that each new broker has the proper tools. “After that it’s simply oversight and control to manage everyone.”

“I attend a variety of meetings: most are business updates, some are projects or investments we are trying to launch. Others are meetings discussing production, relationships and business development,” adds Marseilles.

Today’s “state of the industry” meeting is to review endorsements, future forecasts, industry issues, challenges and opportunities for a partner.

5:00 p.m.: To attract new partners, Liberty pursues wholesale brokers with little experience that they can educate. Marseilles and his team engage these folks, build rapport, educate and sell the value proposition to finalize a deal.

While Liberty’s active sales team is generating relationships with new partners, Marseilles diligently does his part to maintain them. Running wholesale for a lender dictates focus on multiple segments within the B2B space. “From forward to broker on through every correspondent,” staying engaged means that Marseilles spends roughly an hour each day calling three to five partners for monthly progress reports. (He also travels one week each month to visit Liberty’s partners coast-to-coast and have face-to-face meetings.) “Our goal isn’t to be the largest lender in the space, but rather to have the largest percentage of market share within the segment(s) of the market we wish to pursue.”

Marseilles’ favorite aspect of his job is the partner interaction. During daily partner calls, Marseilles takes the opportunity to utilize Liberty’s various partner appreciation programs to provide specialized training, education or support to help them grow their business.

Recently, a broker contacted Marseilles to submit to Liberty a new loan request from his boss’ parents. “The broker was nervous, because he wanted to deliver a timely closing, however upon receipt we noticed that the file had several issues – a trust, possible credit challenges and residual income concerns.” The broker called Marseilles’ team multiple times per day pushing for status updates. The broker works for one of Liberty’s loyal partners, so a small team was formed, dedicated to helping close the loan. It took significant effort but the group was able to identify the core issues and put together a solution allowing Marseilles to proceed with the loan. “I’m happy to report that we were able to close the loan in nine days, and as a result of our team’s due diligence, we’ve received each subsequent loan from that broker,” divulges Marseilles proudly.

6:00 p.m.: Around 6:00 p.m. Marseilles heads home to his family, but his workday never truly ends. Even after logging off, emails continue to amass from partners asking how they can grow their business or from forward lenders asking how they can add reverse mortgages to their portfolios.

In his 15 years in the mortgage industry, Marseilles has witnessed the market shrink and go through a series of transitions. He says that along with seeing forward broker growth and acceptance of products, he feels the industry is at a pivotal point and business is looking up again.
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Member Profiles

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