

Help NRMLA Eliminate the Cap on HECM Loans

Earlier this year, the reverse mortgage industry faced a potential crisis when we came perilously close to reaching the current cap of 150,000 HECM loans that can be insured by the U.S. Department of Housing and Urban Development at any given time.

With NRMLA's prompt action, we averted a possible disruption by lobbying Congress to raise the cap to 250,000 loans. However, this does not provide a permanent solution to the problem, as reverse mortgage volumes are projected to grow at a steady pace for the foreseeable future.

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LEGISLATIVE
UPDATE



HUD Agrees to Reform Counseling Network

Responding to industry concerns about the quality, availability and funding of HECM counseling, the U.S. Department of Housing and Urban Development has agreed to implement new reforms to make the process easier and less cumbersome for consumers.

Representatives from HUD and the counseling sector discussed the proposed changes—which could be implemented by mortgagee letter in the very near future—at NRMLA's 2005 Annual Conference in San Francisco.

A key concern right now is the 4-6 week delay to schedule a counseling session in many parts of the country. Put simply, there aren't enough counselors to handle the high volume of requests. To help reduce scheduling times, HUD is expanding the nationwide network

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Planning Underway for Nationwide "Aging in Place" Awareness Campaign

To help older adults remain healthy and active throughout retirement, a nationwide consumer awareness campaign organized by the National Aging In Place Council, with support from NRMLA, will be getting underway in early November to increase seniors' access to home and community-based services that promote independent living. National Aging In Place Week, designated November 6-12, will be celebrated in communities, such as Burlington, Vt.; Charleston, S.C.; Milwaukee, WI; Denver, CO; Indianapolis, Ind.; Portland, OR; Washington, DC; Grand Rapids and Ann Arbor, Mich.; Minneapolis, MN; Independence, MO; Richmond, Va., Seattle, Wash., West Seneca, N.Y. and in various locations throughout California, Texas and Hawaii.

The governors of Michigan, Minnesota, Nevada, Washington state and Virginia have issued proclamations commemorating National Aging In Place Week in their respective states.

To view a comprehensive list of activities, please visit our web site at www.seniorsafefhome.com. In most areas, seminars and resource fairs w/exhibitors are being organized for seniors to learn about topics ranging from home safety and fitness, to financial planning and budgeting, in-home healthcare and chore services, home accessibility issues, reverse mortgages, and transportation and meal services.

An overwhelming majority of older Americans want to remain in their homes for as long as possible, but lack awareness of services that make prolonged independent living possible. We scheduled National Aging In Place Week during the second week of November to encourage thinking about this topic while families get together for the holidays. As families gather, it's a perfect time to discuss livability issues for parents and other older relatives.

In other locations, like Houston, TX, professional

AGING IN PLACE, *continued on page 10*

A reverse mortgage is a unique loan that enables senior homeowners (62+) to convert part of the equity in their homes into tax-free income without having to sell the home, give up title, or take on a new monthly mortgage payment.

New Locking Mechanism Implemented to Safeguard Consumer Funds

Reverse mortgage lenders, with approval from the U.S. Department of Housing and Urban Development, have implemented a new consumer protection called the "principal limit lock" which freezes the "expected interest rate" on federally insured Home Equity Conversion Mortgages (HECMs) for a period up to 60 days from the date the FHA case number is assigned.

The expected interest rate is utilized to calculate the amount of funds available from a HECM reverse mortgage.

The National Reverse Mortgage Lenders Association developed a model disclosure (which lenders are now using) that explains to consumers how the prin-

RATE LOCK, *continued on page 11*

The **National Reverse Mortgage Lenders Association** is a national trade association that provides education, advocacy, and referral services to firms that are involved in the reverse mortgage industry.

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John Hager
PIPERSVILLE, PA.



Thanks to the reverse mortgage he obtained in May 2005, John Hager, age 74, is thrilled to be out of debt and thankful he no longer has to worry where the money is going to come from to pay his property taxes.

“Having money to pay my taxes was the primary reason I got a reverse mortgage,” said Hager, who inherited his home from his mother eight years ago.

Until recently, he cleaned post offices for a living. A co-worker once told him he was crazy to be working so hard at this stage in his life. Hager, in turn, learned about the reverse mortgage program from a Realtor, who suggested he contact Mortgage Mobility, based in nearby Richboro, Pa.

Hager used the proceeds to pay off credit card bills and he is placing the equivalent of one year’s salary in a line of credit as a “rainy day” account.

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Can Reverse Mortgages Help Solve Problems With America’s Long-Term Care Finance System?

The National Council on Aging, one of America’s oldest senior advocacy organizations, has developed a series of booklets advocating reverse mortgages as a possible solution to help reduce seniors’ dependence on public assistance programs, such as Medicaid, to cover long-term healthcare costs.

With Medicaid reform a hot topic right now, the U.S. Congress and many state legislatures are very interested in learning more about reverse mortgages and whether any incentives can be created to encourage seniors to use private home equity to pay for healthcare.

Following is a listing of the booklets: *Use Your Home to Stay at Home: A Guide for Homeowners Who Need Help Now*, written for seniors who have immediate healthcare needs; *Use Your Home to Stay at Home: A Planning Guide for Older Consumers*, written for people who are still relatively healthy, but may need future assistance; and *Use Your Home to Stay at Home: Guide for Reverse Mortgage Lenders*, teaches lenders about the U.S. long-term care financing system and how reverse mortgages fit in.

All three booklets were written by Dr. Barbara Stucki, a consultant with NCOA and are posted to both NRMLA web sites (www.reversemortgage.org and www.nrmlaonline.org).

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Lenders Offer Strategies for Explaining Reverse Mortgage Disclosures and Terms

One of the challenges of being a loan officer is making sure a client fully understands how the reverse mortgage works and what the different disclosures discussed at application and closing mean.

"The manner in which we present and explain these documents is of the utmost importance," said John Lucas, of GMAC Mortgage, located in Encino, Calif. "The last thing our industry needs is a senior saying they had no idea what they were doing." Explaining some of the more complicated aspects of a reverse mortgage transaction is not always easy, especially if the borrower has little or no experience dealing with financial matters. However, there are ways to simplify the process.

Dennis Haber, an attorney and loan officer with Senior Funding Group, a division of Fast Track Funding Inc., based in Hicksville, N.Y., likes to tell clever anecdotes, while Lucas' 15 years experience in the reverse mortgage business has taught him to explain things in a simple and reassuring manner.

Lucas and Haber agreed to be interviewed as part of NRMLA's Learn While-U-Lunch program to discuss the most common disclosure forms required by HUD and the manner in which they explain them to clients. The following article highlights a few key points. Members can listen to the entire program by purchasing the audio file on NRMLA's web site, www.nrmlaonline.org.

REVERSE MORTGAGE COMPARISON SHEET

Haber tells clients upfront that a reverse mortgage is safe and easy. The various documents created by HUD prove this point.

"Arm your clients with focused information. After you leave, the first thing they often do is call family and friends and many times they hear things that contradict what you said," said Haber. "Make sure your client understands everything."

The Reverse Mortgage Comparison sheet is one of the first disclosures Haber shows a client. The form discloses how much money the applicant can obtain, in addition to the initial and expected interest rates, service fee set-aside, estimated home

value and lending limit.

Seniors can be very shy about numbers. Haber compares a reverse mortgage to cooking a meal. "We put ingredients into a pot, cook the ingredients and get a meal. With reverse mortgages, the ingredients happen to be numbers."

Three primary ingredients determine the lending amount, such as the age of the youngest borrower (in the case of couples), estimated home value up to a certain limit, and expected interest rate.

Because two interest rates appear on the Comparison Sheet, it's important to distinguish how they are different. Haber likens the initial interest rate to the note rate on a typical mortgage. Interest is charged on whatever reverse mortgage funds are drawn down and accrues over time. The expected interest rate, on the other hand, is a number that helps determine the amount of money a senior receives.

HOME VALUE VS. LENDING LIMIT

If the home value exceeds the FHA lending limit, Lucas makes sure his client understands that when "the computer calculates how much money you are eligible to receive, it will calculate as if the value of the home is the area limit."

For example, if the borrower's home is worth \$400,000, but the FHA lending limit is \$312,895 (current maximum limit), the loan amount will be based on the latter.

NET PROCEEDS MAY CHANGE

This summer, lenders were given the final go-ahead to lock the expected interest rate for a period up to 60 days. Nevertheless, the borrower should know that the amount of money they are eligible to receive—the principal limit—may go up or down if the loan closes outside the 60-day lock period.

"I tell them that assuming their age and home

DISCLOSURES, continued on page 11

CORRECTION

In the spring issue of Reverse Mortgage Advisor, we incorrectly stated that reverse mortgage borrower Charles Teixeira obtained his reverse mortgage from Reverse Mortgages of California. In actuality, he obtained his loan from California Reverse Mortgage Company based in Sacramento. We apologize for the error.

STRATEGY

My Approach to Marketing Reverse Mortgages

By Rob Misheloff, GotLeads

(Editor's Note: Following is the last of a three-part series. The opinions expressed in the article are the author's. To read the first two articles printed in Reverse Mortgage Advisor, visit www.nrmlaonline.org)

In planning your firm's future, it's important to determine where your marketing dollars will have the most impact, both immediately and in the longer term. Does it make sense to expand your operation, or can you be successful operating in two or three counties? These questions can only be answered on a case-by-case basis, but we will provide some general advice to help stimulate your thinking.

EXPANSION

Some reverse mortgage lenders have a miniscule marketing budget (less than \$5,000 per month) but want to expand their operations to include half (or all!) of the country. This is a huge mistake. A lender in Nevada who is sending marketing dollars to Wyoming will have quite a drive ahead of him to take an application! Moreover, spreading yourself too thin will eliminate the ability to brand. We cannot stress enough the importance of "saturating" the areas you are marketing to in order to build your brand. You are much better off being in front of 10,000 people four times than being in front of 40,000 people once.

Assuming you have the budget to expand and effectively brand yourself in another area, how do you determine which area? Some areas of the country are "hot spots" with ample populations of seniors and high home values to support lots of HECM loans. However, these are also the areas likely to draw the most (and largest!) competitors. Before opening an office in a "hot spot", ask yourself: do I have the budget to sustain a continuous marketing effort here? Who are my competitors and how deep are their pockets?

For lenders with small marketing budgets, "cold-

er spots" may be the best places to open up shop. While population levels may be small, along with home values, there may be little to no competition in those areas. (Think North Dakota). A small marketing budget in the right area may be all you need to dominate the market.

REPEAT MARKETING

If you have read this far, you are well aware of the emphasis we place on branding. Your name has to be in front of someone many times before they will remember who you are. For example, I would lay huge odds that you've heard of (and probably bought) a cereal called "Cheerios". However, I would be much less willing to bet that you've heard of (or bought!) "Toasty-O's." They are the exact same cereal, with the exception that a box Toasty-O's costs half of what a box of Cheerios costs. The difference is that consumers see Cheerios every single day, while Toasty-O's is usually seen (and ignored) only by consumers who happen to be browsing the cereal aisles.

To be an effective marketer, you will need to be in front of your population base at least once per quarter. If not, your competitors will be!

EFFECTIVE DIRECT MAIL CAMPAIGNS

We strongly believe that for a product such as reverse mortgages, the most effective form of marketing is direct mail. This is due primarily to the limitations of the HECM product, both in who qualifies for a HECM as well as who might be in need of a HECM. It would be impossible to target a radio or print ad to "People over the age of 62 in lower income areas with an existing mortgage of less than 50% of the FHA loan limit for the area!" A highly targeted product needs a highly targeted marketing campaign to be effective.

As there are a number of ways in which to approach a direct mail campaign, we'll discuss a number of different options and the pluses and minuses of each.

COOPERATIVE DIRECT MAIL

You have no doubt received "coupon packets" from a company such as ADVO or VAL-PAK. These coupon packs are what's known as "Cooperative Direct Mail". This is a way to share marketing costs

MARKETING REVERSE MORTGAGES, *continued on page 6*

between many different advertisers. The chief advantage of Cooperative Direct Mail is that it's cheap: it will cost between 3 and 7 cents per household.

There are however, a number of drawbacks – you have to find a co-op that specializes in sending products to seniors, or else you will be wasting a lot of money sending mail to people who aren't over 62. Also, it's not targeted enough – you will be spending money to send mail to seniors who live in apartments and mobile homes, seniors with mortgage amounts too high to qualify for a HECM, seniors who are multimillionaires and have no need for a reverse mortgage.

Additionally, cooperative direct mail suffers from the same “richness and reach” drawback as television and radio – you are simply mailing a coupon that is juxtaposed with 20 other advertisers vying for the consumer's attention. You will get a lot of calls from people “just curious” rather than people who are qualified for a reverse mortgage and also interested. Response rates will be very low, and few of your responses will be qualified.

Your response rates will be below 0.25% and at that, you will probably close loans on maybe 5% of the folks who call you. As such, you'll have to pump out many tens of thousands of mail pieces in order to do any significant amount of volume.

The only benefit to cooperative direct mail is that the costs are so low that you will probably be profitable on your mailing.

NEWSLETTERS

We know of some lenders that put out “senior newsletters” that specifically solicit people to call them to take out a reverse mortgage.

There are some advantages and disadvantages to this approach.

The mailing can be targeted, since you can pick which homes your newsletter is sent to. There is also the ability to have “rich” information in your

newsletter by definition, although it will be difficult to have information specific to the recipient. Newsletters are likely to be read, which should lead to respectable response rates.

There are two disadvantages to newsletters. The first is the cost. Newsletters will cost over \$1.00 per piece to print and mail. The second disadvantage is the need to develop unique content for each mailing. The time spent developing content for a newsletter would probably be better spent on the phone or out on appointments generating business.

GENERIC LETTERS AND POSTCARDS

These are letters or postcards that introduce the concept of reverse mortgages but don't contain “richness” such as individualized information. Some of them will have a chart with one axis being home value and the other being age, with the senior expected to follow the chart with their finger and “look up” their loan opportunity under the HECM program. That's likely to not be very effective.

These letters and postcards will cost between \$.45 and \$.85 depending on quality and volume sent out. They are likely to get good response rates. We would recommend this option if there wasn't a better way to do it.

INDIVIDUALIZED “RICH” MAIL

This is the best way that we have found to do direct mail. These are pieces with the prospects name printed directly on the piece, with their unique loan opportunity printed on the piece as well. It's highly targeted, and the individualization makes for the callers you get to be very “qualified”.

In order to calculate someone's HECM opportunity, you'll need their age and the value of their home. You can get an estimate of their home value by doing an AVM (automated valuation model). Doing your mail in the manner is slightly more expensive than generic cards and letters (about \$.10

WE STRONGLY BELIEVE THAT FOR A PRODUCT SUCH AS REVERSE MORTGAGES, THE MOST EFFECTIVE FORM OF MARKETING IS DIRECT MAIL. THIS IS DUE PRIMARILY TO THE LIMITATIONS OF THE HECM PRODUCT, BOTH IN WHO QUALIFIES FOR A HECM AS WELL AS WHO MIGHT BE IN NEED OF A HECM.

Rob Misheloff, GotLeads

more per piece) but well worth the extra cost. We've done over 100 campaigns using individually merged pieces. Response rates vary between .75 and 1.5%. Some lenders close 20% or more of their incoming calls from this type of piece. "Cost per head" is usually well under \$500.

TESTING A CAMPAIGN

Many lenders who use direct mail like to test a number of different campaigns to determine which campaign is "right" for them. One of the biggest mistakes we see made is testing too few pieces to get an accurate read. You simply cannot draw good conclusions from sending out 500 or 1,000 pieces of mail.

This is due to the law of large numbers. For example, with our campaigns, a 10,000 piece campaign will draw somewhere between 75 and 150 calls. However, if we drop a much smaller amount, such as 2,500, response rates become much more "erratic". Distributing 2,500 pieces will have response rates varying between .2% and 3.0%—too wide a range to base a business decision on. We call this the law of large numbers, which is based on the same principles of variance that casinos use to rake in billions of dollars per year.

Everyone knows that, on average, a person setting foot in a casino loses. However, if you play 5, 10, or even 20 hands of blackjack, you might walk away with more money than you started. However, over thousands of hands, on average, you will lose your shirt. As the number of hands played increases, the "dispersion" of results narrows. Direct mail works on the same principles.

We have found that in order to do a test that yields useful information, the minimum acceptable number of direct mail pieces to send out is 10,000.

COMPONENTS OF A SUCCESSFUL DIRECT MAIL CAMPAIGN

Hopefully by now we have convinced you that the most effective way to build your business is via direct mail. You should also have an idea that not just "any mail piece" will do. As such, here are the components that are needed to maximize your results:

Individually merged data

In order to be the most successful, your piece

should speak directly to the recipient. You don't want to make the reader guess whether or not a reverse mortgage will benefit him! Tell him that yes, he will receive benefit from a reverse mortgage and, by the way, this is his unique individualized opportunity. This will not only improve your response rate, but will make for much easier, more qualified calls.

Make sure your piece tells the prospect about the variety of options to receive his money! (Lump sum/Credit line/monthly payment). This will have him thinking about options before the call as well as letting him know HECM isn't a "one size fits all" product.

Always include testimonials both from public (celebrity) and private (individual) sources. This alleviates the notion that what you're promoting may be a scam.

Give the recipient a reason to call, (call to action) such as calling today for a free analysis. Create a sense of urgency! Let them know in your piece that it takes a few weeks to fund a reverse mortgage so if they need money soon they better call you right away!

Give them multiple ways to contact you! Some people may want to call right away, while others may want to send information and be contacted. All of our pieces have three ways of contact – phone, mail, and fax. Always include a Q&A if possible – it will reduce the number of questions you get when speaking to the prospect.

Closing The Deal

One of the things that surprises rookie reverse mortgage lenders the most is the "gestation period" in closing a reverse mortgage deal. It can take 3-6 months (or more!) to get a senior to make up their mind after the first contact.

Obviously, it is imperative to make the gestation period as short as humanly possible—both from a budget and time perspective. Most lenders can't wait two years to see a return on their marketing dollars.

Additionally, the more time you spend closing one loan, the greater the opportunity cost. That's time you could be spending closing another deal! As such, we have a few suggestions that should help you turn your suspects into customers in a shorter amount of time.

MARKETING REVERSE MORTGAGES.

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Set Appointments! We have noticed in our client base that lenders who set appointments rather than sending information through the mail or promising to call back in a week tend to close more loans. Get in front of your prospects. Build trust. Make a friend. You'll do more business.

Mention things your prospect likely needs but can't afford without a reverse mortgage. Many seniors are likely to need or want a CAPS specialist to make their home more senior friendly. Can they afford it? Probably not. They may also want to take a cruise or other vacation. Wet their appetite.

You should also be networking through folks who provide these sorts of services to seniors, as they make great referral sources and are often willing to share marketing costs for joint efforts. Provide an incentive. If a senior is hesitant to take out a loan application right away, they may have an appointment with one of your competitors. Give them a reason to do the business with you. It could be a gift card to a popular store, movie tickets, or anything of value. This can give your prospect the incentive to use you instead of another broker. **RMA**

(Headquartered in San Diego, CA, GotLeads—A DF Interactive Co. is a NRMLA member and past exhibitor at conferences. Rob Misheloff can be reached at 800-858-7010 or by e-mail at robm@gotlds.com.)

LEGISLATIVE UPDATE, *continued from page 1*

Fortunately, U.S. Senator Rick Santorum (R-PA) and Reps. Michael Fitzpatrick (R-PA) and Jim Matheson (D-UT) agreed to introduce the Reverse Mortgages to Help America's Seniors Act. Both the Senate bill (S. 1710) and the House bill (H.R. 2892) would eliminate the HECM cap. To view either bill go to www.nrmlaonline.org.

It is now our job as an industry to gather co-sponsors so that we can ensure the passage of both bills. There's only so much that NRMLA can do in Washington, DC. Senators and Congressmen respond quicker to issues when they hear it coming from you, their constituents. Right now, only 20 members of the House of Representatives are co-sponsoring H.R. 2892. In the Senate, Sen. Mike Crapo (R-ID) is the lone co-sponsor.

The number of co-sponsors we have obtained is significantly below what is needed for either bill to pass. The only way to successfully obtain a sufficient number of co-sponsorships is for each of you to fax or e-mail (do not use regular mail) a copy of Rep. Fitzpatrick's "Dear Colleague" letter to your Congressman. The letter briefly explains the purpose of his bill (H.R. 2892) and the valuable role of reverse mortgages.

Additionally, we highly recommend you meet with your Congressman, or your Congressman's district manager, to discuss the importance of this pending legislation.

Please take 15 minutes of your time to e-mail or fax your Congressman in Washington, DC, and ask them to co-sponsor our HECM cap bill. On NRMLA's web site, you will find a copy of the "Dear Colleague" letter and a sample introductory letter that you may customize on your own letterhead.

If you don't know the name of your Congressman, go online to www.house.gov or www.congress.org.

Again, we ask that you do not mail the letters, as they will not reach the representative due to security measures in place to protect against anthrax.

If you schedule a meeting with your Congressman directly or with his or her district manager you'll want to explain reverse mortgages very simply and very briefly. Do not assume whoever you are meeting with knows anything about them—even if they say they do.

Now that a Senate bill has been introduced you should schedule meetings with both Senators as well. To find out the names of your Senators, go to www.senate.gov.

Now this all sounds relatively simple...and it is. The big problem is that few NRMLA members actually follow up and do it. For some reason, people shy away from doing this. They think others will do it, so they don't have to. Don't let this happen. We don't want our industry to see a major disruption. **RMA**

of telephone counselors to include 250 trained individuals from the National Foundation for Credit Counseling and Money Management International. Previously, Mortgagee Letter 2004-25 mandated that should telephone counseling be necessary, the AARP Foundation Network was the only entity allowed to provide this service. HUD is now extending that status to NFCC and MMI.

Ultimately, NFCC will be given overall responsibility of the telephone counseling network while AARP will focus solely on training new counselors. NFCC has agreed to implement and monitor a strict protocol governing the types of information that counselors provide to consumers.

HUD has distributed \$3 million in grants to cover counseling costs for fiscal year 2006. However, NRMLA, NFCC and MMI estimate that \$9 million will be needed to cover the projected number of counseling sessions for the upcoming year. Because annual appropriations will never be enough to cover counseling costs, HUD is considering two possible solutions: either make counseling a borrower-paid expense or allow NFCC to create a national HECM Counseling Fund from proceeds donated by lenders. HUD anticipates announcing a final decision on the funding issue by year-end.

WORKING GROUP MEETS TO DISCUSS RE-ENGINEERING OF HECM PROGRAM

NRMLA hosted a meeting of the Reverse Mortgage Working Group on September 15 with representatives from the U.S. Department of Housing and Urban Development to discuss a re-engineering of the HECM program. A second meeting has been tentatively scheduled for November 30.

The Working Group agrees that after 15 years the HECM program needs a major facelift. If HUD wants to see continued growth and a more efficient marketplace with more lenders and more investors, the HECM program needs to be re-engineered. Several ideas were discussed including the adoption of new pricing models.

The Working Group feels steps should be taken to reduce the upfront costs. This will make the program more attractive to potential borrowers and help FHA maintain, or possibly increase, its market-share as conventional products are developed. One

option is to roll the service fee set-aside, origination fee, and various other upfront costs into the interest rate. Another option is to reduce the upfront mortgage insurance premium and increase the annual premium on the backend from 0.5 percent to 0.75 percent or other appropriate number.

In addition to pricing models, NRMLA proposed a reduction in the number of closing documents that must be signed and implementation of higher lending limits. A more detailed summary of the topics discussed will be distributed to NRMLA members.

NRMLA PROPOSES CHANGES TO HECM PROGRAM TO ASSIST KATRINA VICTIMS

In the wake of Hurricanes Katrina and Rita, NRMLA held a separate discussion with HUD to propose several enhancements to the HECM program to make it a more useful disaster recovery tool. Following is a list of ideas: 1) Allow HECM for Home Ownership and 2) New Construction; 3) Deepen the amount of rehab allowed under HECM; 4) Allow subordinate financing in conjunction with HECM; 5) Adopt an alternate approach to setting HECM loan limits; 6) Fast track counseling; 7) Reduce or waive upfront mortgage insurance premium; 8) Incentivise existing owners who already have HECM loans to rebuild or re-occupy their homes.

Further details will be made available to NRMLA members at a later date.

RECORD CROWD ATTENDS NRMLA ANNUAL CONFERENCE

NRMLA is pleased to announce that a record crowd of close to 500 people attended our Annual Conference & Reverse Mortgage Expo in San Francisco, September 8-10 to discuss business and regulatory trends in reverse mortgage lending and to network with industry peers.

NRMLA digitally recorded all the sessions from the meeting and will be posting the audio files to our web site shortly. Conference registrants will be able to listen to the sessions free of charge while a nominal fee will be charged to everyone else.

NEW PRODUCTION RECORD ESTABLISHED

Lenders originated a record 43,131 HECM loans

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during the most recent federal fiscal year ending September 30, according to the U.S. Department of Housing and Urban Development. This latest figure represents a 14% increase over last year's production. HUD publishes monthly HECM reports, which track endorsements by region and by lender (retail originations only). To view the HECM reports, go to www.nrmlaonline.org.

CONSUMER BOOKLETS AVAILABLE

NRMLA distributes our informational booklets each week to consumers who want to learn more about the reverse mortgage program. The booklets include:

- *Just the FAQs: Answers to Common Questions About Reverse Mortgages*,
- *Using Reverse Mortgages for Healthcare: A NRMLA Guide Guide to Consumers*
- *NRMLA Guide to Aging In Place*

NRMLA members have found these guides to be a useful resource for clients. Our *Just the FAQs* booklet, for instance, provides helpful, easy-to-understand information about the loan application process for reverse mortgages, fees and interest charges, how much is owed when the reverse mortgage comes due, and consumer safeguards.

To purchase copies of NRMLA's consumer guide for distribution to your clients, contact Darryl Hicks, 202-939-1784, dhicks@dworbell.com. **RMA**

forums are being organized for individuals to meet and discuss the business opportunities that aging in place creates.

Since our inaugural National Aging In Place Week held in 2003, NAIPC's outreach efforts have proved hugely successful among the various stakeholder groups involved. That year, NAIPC, in partnership with NRMLA, held educational events in six cities (compared to 30 last year); published a consumer booklet on aging in place issues; and launched our consumer web site at www.seniorsafehome.com.

NAIPC serves as an ongoing forum for professionals from the private, public and non-profit sectors and businesses to work together to promote aging in place.

Because NRMLA financially supported the first few Aging in Place Week campaigns, any member delegate who so chooses can receive a complimentary membership in the National Aging in Place Council. You can register to become a NAIPC member by e-mailing Darryl Hicks, at dhicks@dworbell.com.

Coalition members include skilled persons from a wide variety of fields, including remodeling, architecture, interior design, financing, elder law, product design and manufacturing, urban planning, social services, health, and others. Homeowners benefit if professionals from these various disciplines are acquainted with one another, and professional networks will become better established.

Secondly, NAIPC encourages senior citizens, recent retirees, and Baby Boomers to be proactive in planning for their future housing and care needs, and provide ideas and information to help them do so.

To learn more, visit our consumer web site at www.seniorsafehome.com and our professional web site at www.naicp.org. **RMA**

HAGER PROFILE, continued from page 3

Now that he has more free time, Hager plans to devote more energy to a side business he has had for more than 30 years—designing hats.

"Two family friends, an adult and a child, convinced me to start up my custom-clothing business again," he said. "I love making hats."

Hager also writes children's books. He has written three books so far—all under a pseudonym—but has chosen not to seek a publisher. The books' main character is Hegaar the Haag, a lovable witch who helps promote positive morals and values.

Although it may sound similar to the Harry Potter series, Hager said his stories are less dark and help teach kids the importance of love, kindness, being respectful and other family values.

As if he didn't have enough things to do, Hager is already planning to fulfill a lifelong dream by using a portion of his reverse mortgage funds to visit China.

"I'm so happy that I can do all these things thanks to my reverse mortgage," he added. **RMA**

principal limit lock works.

The “expected interest rate,” is a critical factor that is used to determine how much equity an elderly homeowner is eligible to receive from a HECM. It is calculated by adding a pre-set “margin” to the 10-Year U.S. Constant Maturity Treasury rate. The 10-Year U.S. Constant Maturity Treasury rate is published weekly by the Federal Reserve. The margin that is added is currently 1.5% for monthly-adjusted loans and 3.1% for annual-adjusted loans.

Prior to the implementation of the principal limit lock, if rates increased between the time of application and the loan closing, the borrower received less money.

“This is an important new feature designed to make the HECM program more consumer-friendly,” said Peter Bell, President of NRMLA. “Interest rate fluctuations over the past several years have benefited some reverse mortgage borrowers, but hurt others. This principal limit lock protects borrowers in a rising rate environment, yet let’s them benefit if rates are lower at the time of closing.” If rates decline between the date of application and closing, the homeowner can utilize the lower of the two rates and receive more money than what was originally quoted. If the loan closes after the 60-day lock expires, the prevailing interest rate on the actual date of closing is used, regardless of whether it’s higher or lower.

HUD issued regulations in March 2003 permitting the use of the principal limit lock. Since then, NRMLA members have worked to carefully develop a program that benefits consumers and is acceptable by Fannie Mae, the nation’s largest investor in reverse mortgages, including HECM loans. **RMA**

value don’t change, the one thing that’s going to fluctuate is the expected interest rate, which changes weekly and is based on the yield of the 10-year bond, plus a margin,” said Haber.

Just like the stock market goes up and down, so does the expected interest rate. When the yield increases, the principal limit goes down and vice versa if rates decline. “I tell the person we never know how much money is available to them until the loan closes.” Obviously, the new rate lock helps.

Because some seniors are forgetful, Lucas reminds them while the loan is being underwritten the principal limit is a moving number until the closing documents are signed. This way, the borrower won’t be as surprised if the net proceeds are lower than what they were quoted upfront. Again, this is still true if the loan closes outside the 60-day lock period.

SERVICE SET-ASIDE FEE

The service set-aside fee can be especially confusing. Although it’s not considered a closing cost, it can be a substantial amount of equity that’s deducted from the principal limit, which the borrower cannot access.

“The computer has done your life expectancy, transferred it into months, rather than years, and multiplied that number of months by \$30 or \$35,” said Lucas. “The computer is saying we’re going to set-aside and reserve this amount of your equity, so it will be there for the company that services your account to pull their fee out each month.”

Lucas tells his client, “please understand, this is not money being spent right now. It is just being set-aside. But it does get subtracted from the principal limit.”

TALC

The Total Annual Loan Cost, or TALC disclosure, shows how expensive the loan can be. In short, the longer someone stays in his home, the less costly the reverse mortgage becomes.

Haber uses the following anecdote for female clients: “Imagine that you purchased an expensive dress. Let’s say you’re going to a special event, like a wedding. If you only wear the dress that one time, it’s pretty expensive. But if you wear it a lot, then you’ve gotten your monies worth.”

Alternatively, Lucas points to the form and tells his client(s) that FHA and HUD want you to understand that if you use this reverse mortgage for a short period of time it is going to be much more expensive to borrow the money than if you use it for a longer period of time. The upfront closing costs, he said, are being spread over a short period of time. The longer the closing costs are spread over time the more reasonable the cost of borrowing money. **RMA**

NRMLA will distribute one complimentary hard copy of each booklet to every member delegate (Primary, Alternate and Additional). A publication order form will be included for members to purchase bulk quantities.

The research that went into creating the booklets was paid for from a grant provided by NRMLA and a group of members, including Financial Freedom Senior Funding Corporation, Wells Fargo Home Mortgage, Reverse Mortgage of America (A division of Seattle Mortgage Company) and BNY Mortgage.

NCOA published an in-depth study last year showing that reverse mortgages can help an estimated 13.2 million elderly homeowners pay for long-term care, allowing many to remain independent in their homes longer. **RMA**

One Borrower's Thank You

(Editor's note: The following poem was written by Francisco and Joanne Santana-Montez, of Antelope, Calif., in gratitude for the reverse mortgage they obtained from Bonnie Daniels, of California Reverse Mortgage Company, based in Sacramento. If you would like to share a similar experience, please e-mail dhicks@dworbell.com.)

*For many years we worked so hard
To grasp that band of gold
Retirement was to be a time
For sweet dreams to unfold*

*When we arrived at that plateau
After lives of struggle and toil
We discovered that our "Golden" years
Looked like aluminum foil*

*Income dropped—not so surprising
Cost of living just kept rising
Dreams started to tumble
As the "gold" began to crumble*

*But Bonnie's Magic Mortgage plan
Put us back on track
You put us in "reverse"
And we got our mojo back*

Briefs

Take Advantage of NRMLA's Learn While-U-Lunch Program

NRMLA's Learn While-U-Lunch program has proven to be a wildly successful continuing education program for our members.

So far this year, speakers have discussed counseling issues, explaining TALC and other disclosures, holding educational workshops, and promoting reverse mortgages through religious institutions. Both experienced loan officers and newcomers are taking advantage of the program.

The "Learn While U Lunch" program is a series of 45-minute telephone seminars, scheduled for the second Tuesday of each month, about specific reverse mortgage or senior-oriented topics that are beneficial to the growth of your business. The program is for NRMLA members only.

*The sessions are recorded, so that members can purchase the audio files for download from our web site. **RMA***