



REVERSE MARKET

INSIGHT

NRMLA Annual Conference
HECM by the Numbers

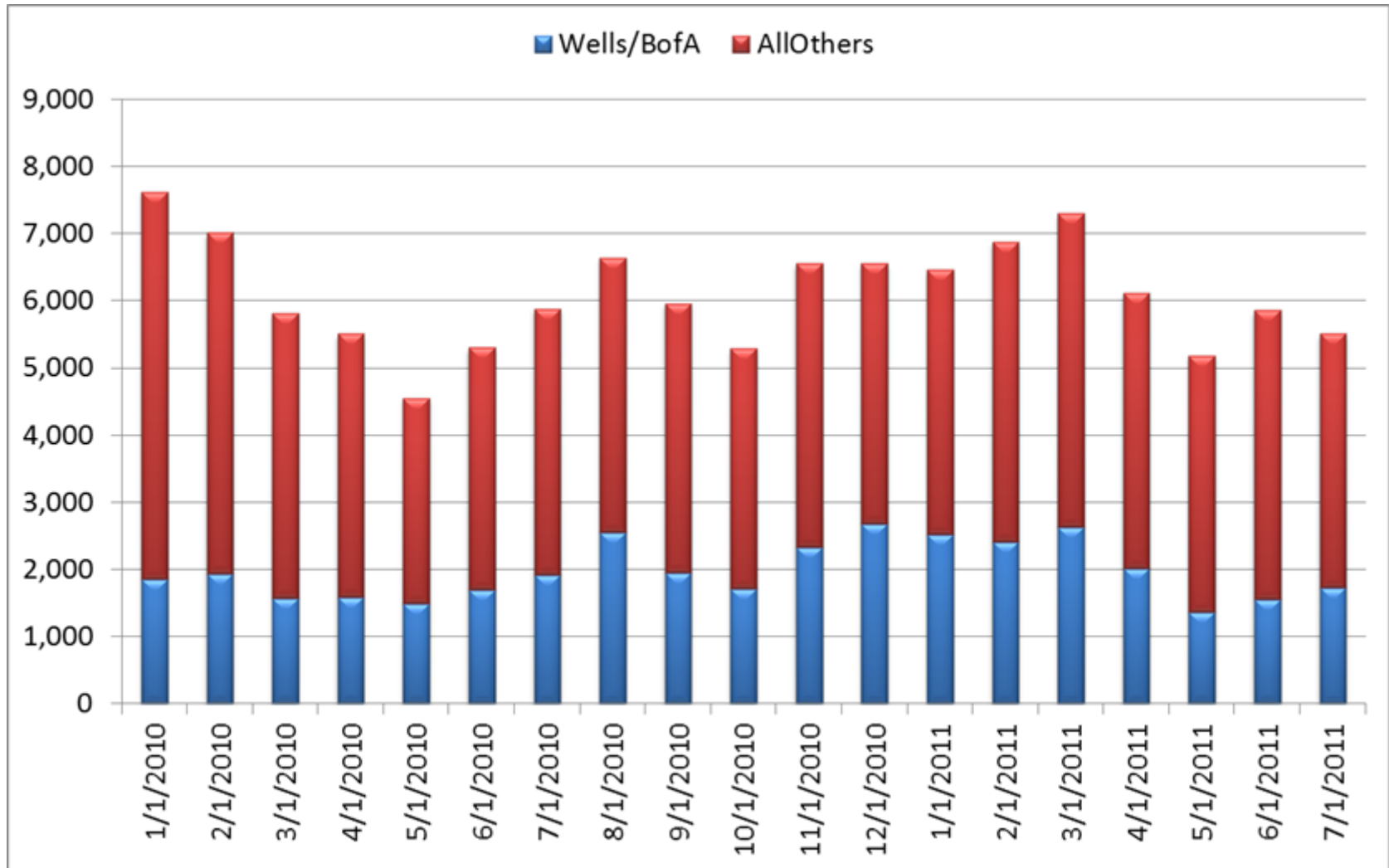
John K. Lunde

10/24/2011

Market Opportunities

- Lender Exits
 - >35% Market Share
- HECM Purchase
 - Slow start, huge potential
- HECM Saver
 - Lower cost option
 - Growth step by step

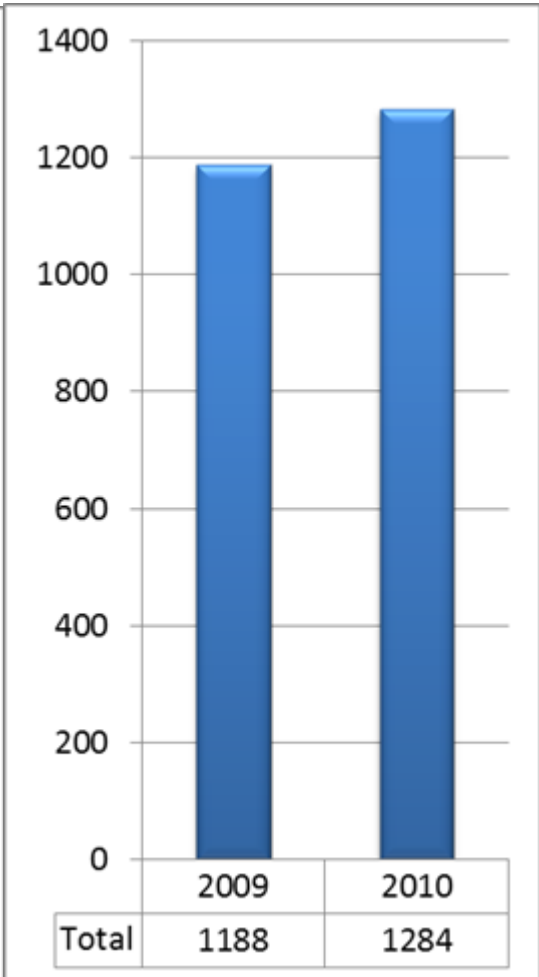
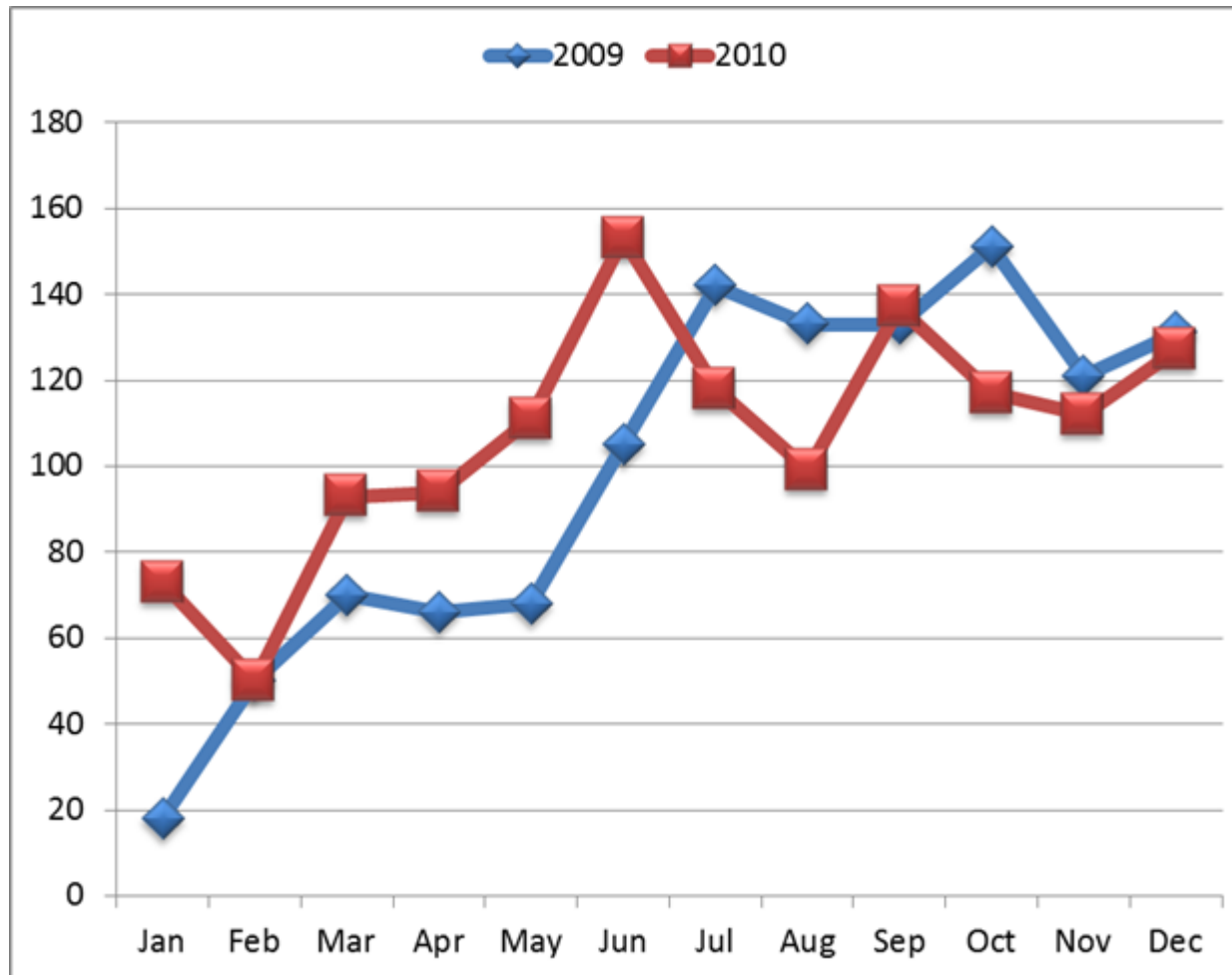
Lender Effects



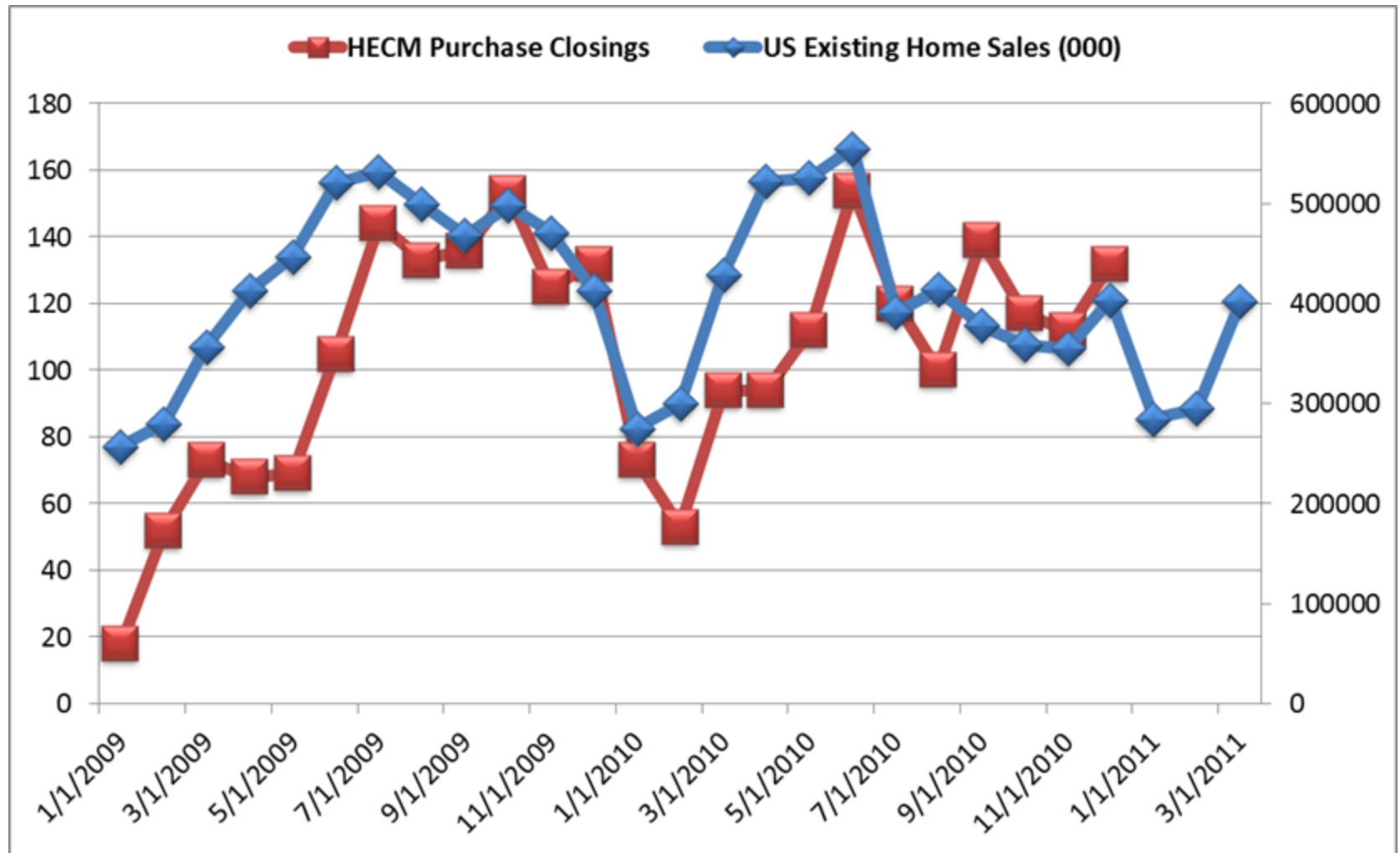
Lender Exits: State Effects (Q410-Q111)

State	Endorsements	Market Share
CA	2,640	49.4%
TX	1,387	37.7%
FL	1,030	36.4%
NY	723	32.5%
PA	423	25.1%
NJ	814	51.9%
VA	541	34.7%
MD	303	22.2%
IL	294	29.3%
NC	616	62.0%
Grand Total	14,635	37.5%

HECM Purchase Trend

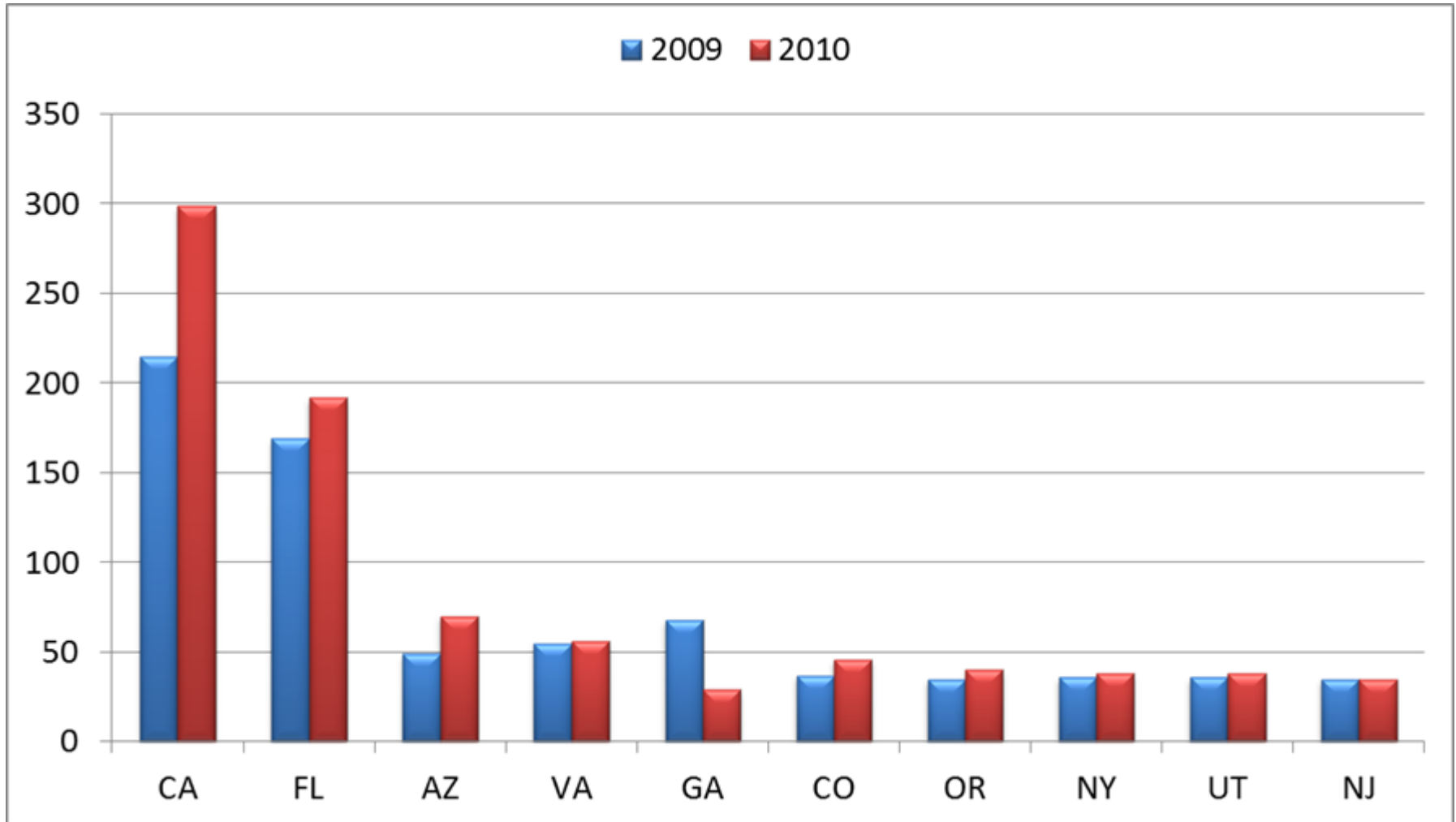


HECM Purchase as Part of Larger Market





HECM Purchase Top States

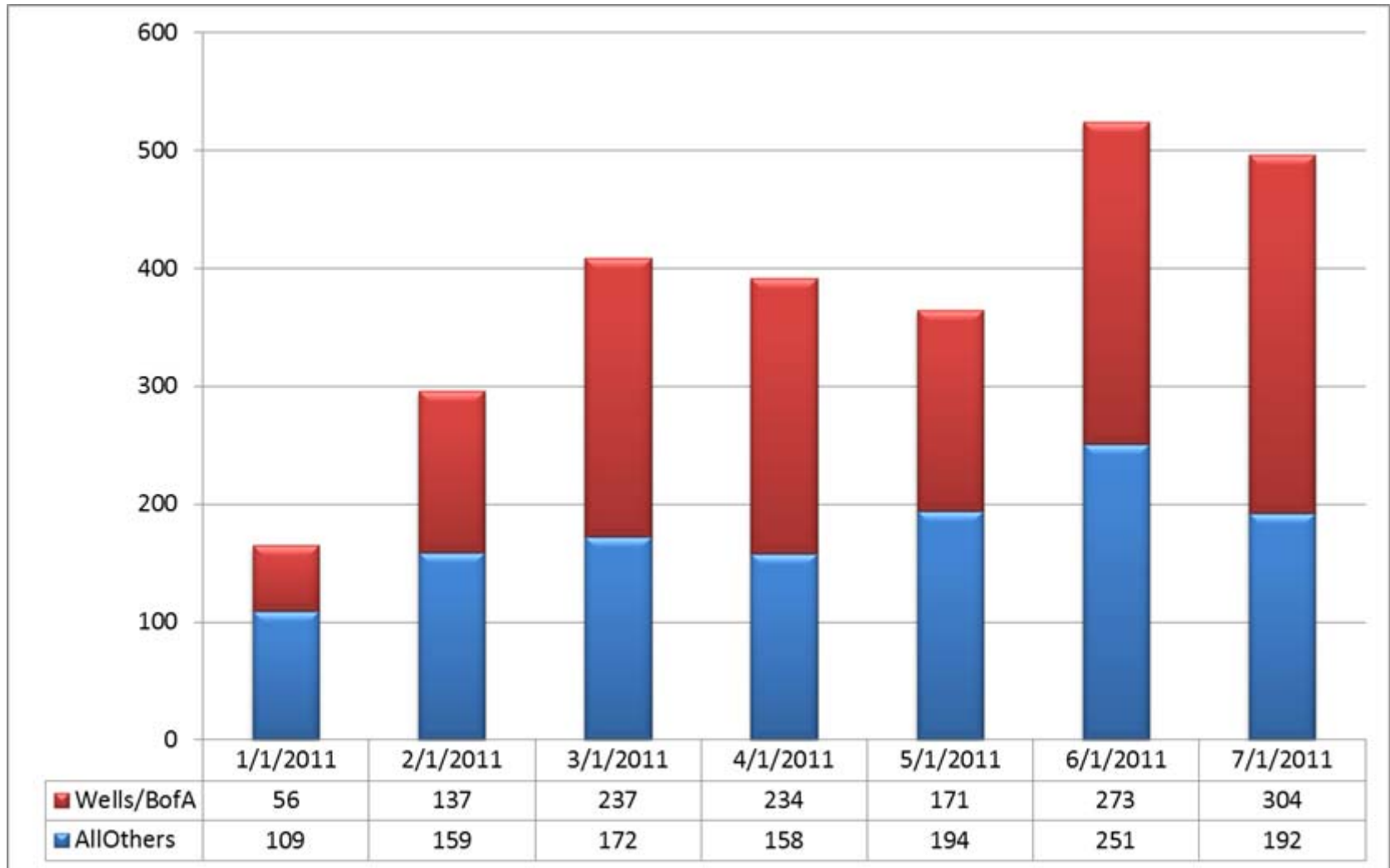


HECM Purchase Opportunity

<u>HECM for Purchase</u>		
<u>Estimated Potential Volume Analysis</u>		
23,200,000		Total Senior Homeowner Households in US
6%	X	Annual relocation rate of senior households
1,400,000	=	
20%	X	Senior homeowner households with mortgage currently
280,000	=	Seniors purchasing primary residence with mortgage of any type
25%	X	Opt for HECM Purchase as opposed to other mortgage type
70,000	=	Potential HECM Purchase annual volume



HECM Saver Trend

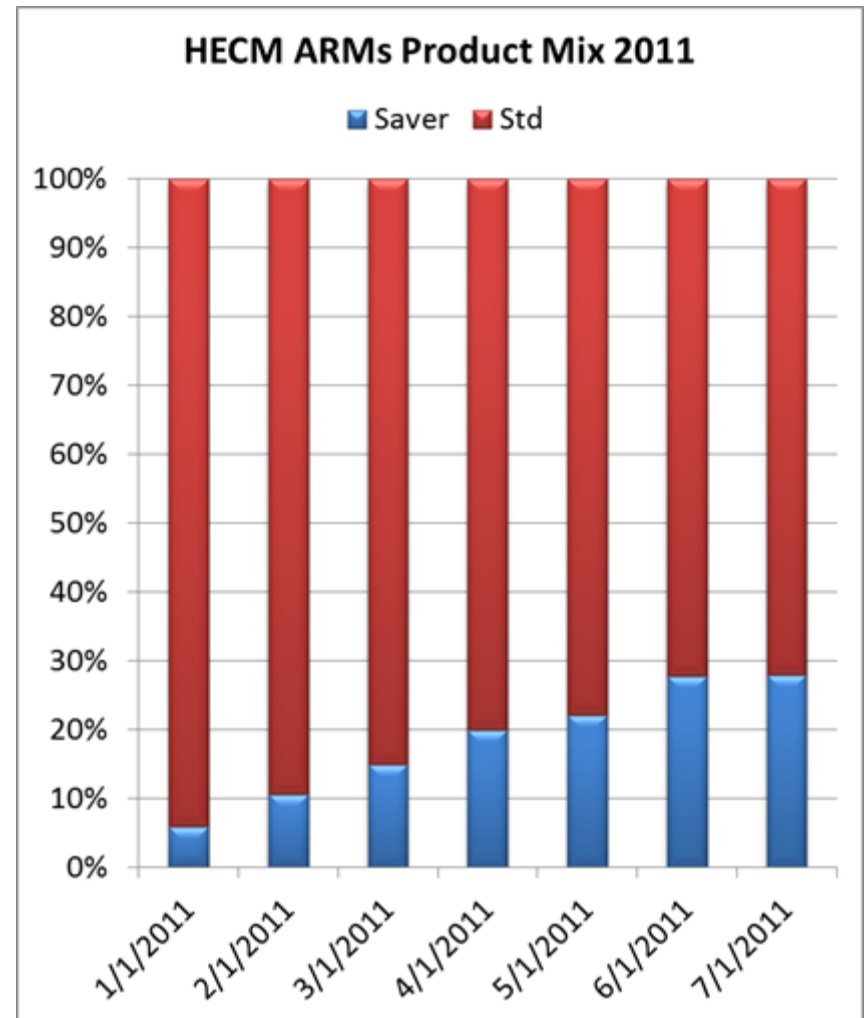


HECM Saver Opportunity

- Step 1: Standard ARMs become Saver ARMs
- Step 2: Age-eligible HELOC borrowers become Saver borrowers
- Step 3: Age-eligible HELOC decliners for credit/payment/rate choose Saver
- Step 4: Greenfield Strategies (SSA Deferral, asset spend-down prioritization, etc.) create new customers

HECM Saver: Step 1

- Most Existing Standard ARM HECMs should flip to Saver ARM
 - Lower upfront cost
 - Lower Principal Limit not limiting majority of borrowers on initial draw
- This is not incremental volume to industry, but it does help FHA keep principal limits higher
- We still have 1,000 Standard ARMs endorsed per month that can convert to Saver
- **ARM = 31%** of industry volume YTD 2011



HECM Saver: Step 2

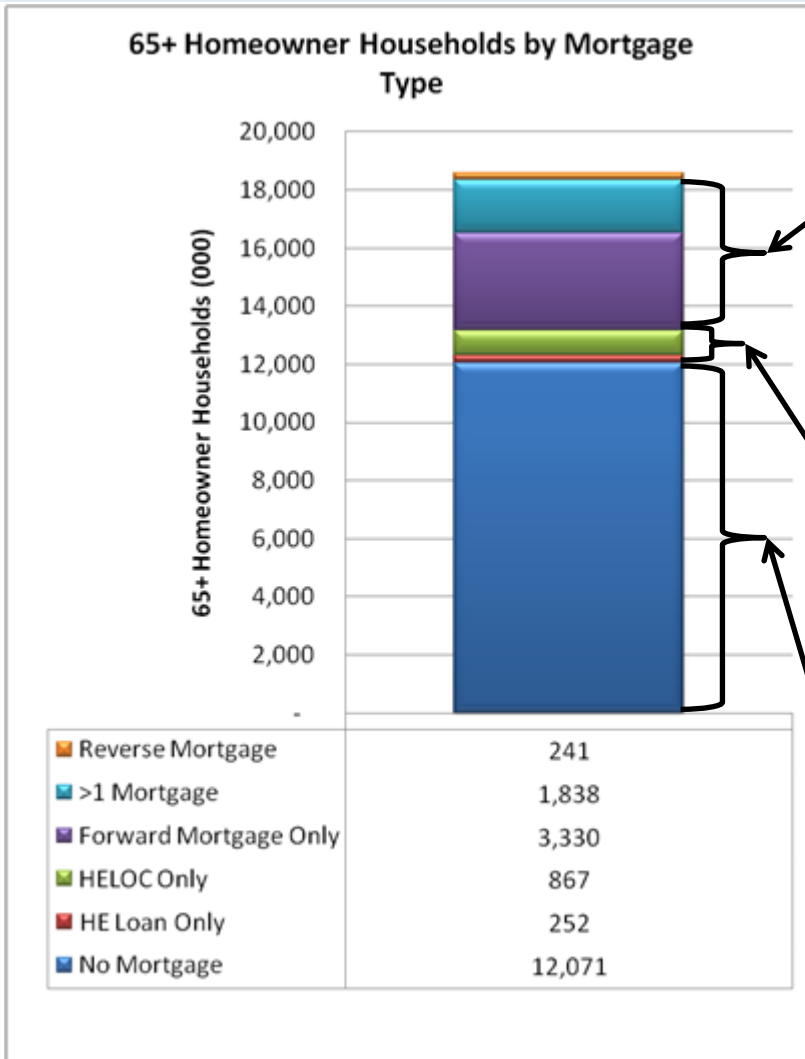
HELOC for Seniors

- Required monthly payment
- 5.9-6.5% interest rate
 - Bankrate.com 12/9/10, \$50K HELOC)
- 660 Credit Score required
- US Census American Housing Survey 2009
 - 1.5 million HELOCs by 65+ homeowners
 - 867,000 HELOCs by 65+ with no other mortgage

HECM Saver

- Payment flexibility
- ~4% total accrual rate
 - .25% index + 2.5% margin + 1.25% MIP
- Minimal credit requirements

HECM Saver Overview



Existing HECM Market – Saver Step 1:

- Many seniors with existing debt no longer qualify
- Very low historical conversion rate
- Saver increases conversion rates

Saver Step 2:

- Offer a cheaper rate and more flexibility to HELOC and HE Loan borrowers
- Expect a **much higher** conversion rate

Saver Step 3 & 4:

- Some of these households want a cash flow tool without credit qualification or mandatory payments
- High conversion among households declined for credit on HE products