

## NRMLA Needs Your Help In the Senate

**N**RMLA members received an early Christmas present when the U.S. House of Representatives passed legislation (H.R. 2892) on December 16 that removes the cap on the number of HECM loans that the U.S. Department of Housing and Urban Development can insure.

Without the legislation, HUD can only insure 250,000 reverse mortgages—a cap that our industry could approach within the next 12-24 months as volume increases.



LEGISLATIVE UPDATE, *continued on page 7*

## NRMLA, HUD Discuss Ways to Reduce Upfront Costs

**R**epresentatives from NRMLA and the U.S. Department of Housing and Urban Development met last fall to identify ways to reduce costs to homeowners who take out a reverse mortgage. This was the third meeting of the Reverse Mortgage Working Group, which NRMLA established last year in partnership with HUD to discuss issues of mutual concern.

Though regulated by HUD, the high upfront costs associated with a reverse mortgage—often exceeding \$15,000 in many metropolitan housing markets—has been a major turnoff for some consumers and a sticking point with the news media.

HUD and the industry both agree that to increase the mass market for reverse mortgages we must work together to create a more efficient marketplace with more lenders and investors by taking steps to re-engineer the HECM program. NRMLA

WORKING GROUP, *continued on page 8*

INSIDE THIS ISSUE	
<i>FHA Eyeing Single National Loan Limit?</i> .....	2
<i>Industry Update</i> .....	2
<i>Case Studies</i> .....	3
<i>Learn While-U-Lunch</i> .....	3
<i>FHA Loosens Repair and Inspection Guidelines</i> .....	4
<i>Taking the Fear Out of Trusts and Powers of Attorney</i> .....	5

## FHA Eyeing Single National Loan Limit?

The U.S. Department of Housing and Urban Development has hinted publicly that it may seek authority from Congress this year to implement a single national loan limit for its single- and multifamily loan programs to help boost FHA's marketshare.

Speaking at the National Association of Home Builders' Annual Conference in early January, Assistant Secretary Charles Williams said the Department wants to adopt a national lending limit for all jurisdictions, explaining that the current system of setting county-by-county limits "keeps us out of the mainstream homebuilding market."

Although his remarks were tailored to a home-builder audience, the reforms that HUD is seeking would apply to single-family programs as well, including HECM. Presumably, HUD will ask Congress to establish a national lending limit equal to the current maximum.

On New Year's Day, the maximum FHA single-family lending limit rose to \$362,790 in 104 high-cost markets, nearly a \$50,000 jump from the 2005 ceiling. The floor increased to \$200,160 most everywhere else except in 547-odd counties where it is somewhere in between. The limit is 50% higher in Alaska, Hawaii, Guam, and the Virgin Islands.

The FHA mortgage insurance programs were established by Congress to enable families that might not be able to obtain a mortgage with private mortgage insurance to purchase modest homes. Because housing costs vary considerably from market to market, Congress established loan limits for FHA that varied according to the median home price in each market, with a cap for very high-cost areas based on the loan limits for Fannie Mae and Freddie Mac. With this system, an FHA loan at the maximum limit should purchase about the same modest amount of housing in any market.

By contrast, the FHA HECM program was created so that elderly homeowners could convert their home equity into cash to help pay for living expenses.

**LENDING LIMITS**, *continued on page 9*

*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.*

## Industry Update

### HECM ENDORSEMENTS HIT MONTHLY RECORD

The U.S. Department of Housing and Urban Development endorsed a record 5,841 HECM loans in February and 26,160 for the first five months of the current federal fiscal year. Year-to-date totals represent a 56 percent increase over the 16,731 loans insured during the same period in 2005. To view HUD's monthly HECM activity reports, please visit [NRMLAOnline.org](http://NRMLAOnline.org). (Click on Resources in the Site Navigation Box. Then click Home Equity Conversion Mortgage where you will find a link called HECM Activity Reports.)

### NRMLA BATTLES STATE BILLS

NRMLA is working to defeat legislation introduced in Connecticut, Rhode Island and California that would negatively impact lenders and add addi-

**INDUSTRY UPDATE**, *continued on page 10*

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.

Co-Chairs

**Jim Mahoney**

FINANCIAL FREEDOM SENIOR FUNDING CORP.  
IRVINE, CA

**Sarah Hulbert**

SEATTLE MORTGAGE COMPANY  
SEATTLE, WA

President

**Peter Bell**

Associate Director

**Darryl Hicks**

Reverse Mortgage Advisor

Editor:

**Darryl Hicks**

Office

1400 16th Street, NW, Suite 420  
Washington, DC 20036-2244

Tel: 202-939-1760, Fax: 202-265-4435  
Web site: <http://www.nrmlaonline.org>

*Reverse Mortgage Advisor* is published quarterly as an information service for NRMLA members. The subscription price is included in membership dues.

## NRMLA BOARD OF DIRECTORS

### EXECUTIVE COMMITTEE

**Jim Mahoney**, *Co-Chair*  
Financial Freedom Senior Funding Corp., Irvine, CA

**Sarah Hulbert**, *Co-Chair*  
Seattle Mortgage Company, Seattle, WA

**Joe DeMarkey**, *Vice Chairman*  
BNY Mortgage, Milford, MA

**Patrick J. McEnerney**, *Vice Chairman*  
Mortgage IT, Ponte Vedra Beach, FL

**Mary Resselar**, *Secretary*  
Wells Fargo Home Mortgage, Park Ridge, IL

**Dan Ryan**, *Treasurer*  
Farwest Mortgage Bankers, Inc., Placentia, CA

### DIRECTORS

**William Agner**  
The Mortgage Network, Inc., Indianapolis, IN

**Mark Browning**  
Community Home Equity Conversion Corp.  
Rochester, NY

**Nicholas Buscaglia**  
M & T Mortgage Corporation, Buffalo, NY

**David Carey**  
Fannie Mae, Washington, DC

**Cheryl Chapin**  
Wells Fargo Home Mortgage, Bourne, MA

**Steve Irwin**  
Financial Freedom Senior Funding Corp.  
San Francisco, CA

**Bart Johnson**  
Financial Freedom Senior Funding Corp., Irvine, CA

**Robert Sivori**  
BNY Mortgage, West Paterson, NJ

**Vanessa White**  
BNY Mortgage, West Paterson, NY

**John Nixon**  
Seattle Mortgage Company, Bellevue, WA

**Shawna James**  
Seattle Mortgage Company, Seattle, WA

**Tony Garcia**  
LibertyStreet Reverse Mortgage, Carlsbad, CA

**Dean Jones**  
SCME Mortgage Bankers, Inc., San Diego, CA

**David Levitt**  
Circle Mortgage Corporation, Hollywood, FL

**John Myers**  
Financial Heritage, San Diego, CA

**Scott Norman**  
Financial Freedom Senior Funding Corporation  
Austin, TX

**David Peskin**  
Vertica Lend, Melville, NY

**Robert Wyatt**  
Fifth Third Bank, Cape Coral, FL

### FOUNDING CHAIRMAN

**Jeffrey S. Taylor**  
Wells Fargo Home Mortgage, Inc., Greensboro, NC

### EX-OFFICIO

**Peter H. Bell**, *President*  
NRMLA, Washington, DC

**James A. Brodsky**, *General Counsel*  
Weiner Brodsky Sidman Kider, PC, Washington, DC

## REVERSE MORTGAGE CASE STUDIES

*(Editor's note: The following case studies were submitted by Corinna Tini, a loan officer with Mortgage Mobility, based in Richboro, Pa. Corinna wanted to tell us how the reverse mortgage program has benefited her clients. We'd love to hear from all our members. Submissions should be forwarded to Darryl Hicks at dhicks@dworbell.com.)*

### Ida Mae Herald

#### ABINGTON, MONTGOMERY CO., PA

When we met 88-year old Ida Mae, she was within a month of losing her home to a sheriff's sale. She was in denial. She hadn't responded to any of the notices sent by her mortgage company. After unraveling her situation, we immediately contacted the mortgage company for clarification, had Mrs. Herald speak to her attorney to file an extension, and began the paperwork to get her a reverse mortgage.

Ida Mae and her husband operated a welding business in Philadelphia for many years. When he passed away 20 years ago, she worked hard to keep the business going. Although she was only familiar with the back end of the operation, Ida Mae was intent on providing work for her employees. Shortly thereafter, the building was severely vandalized, resulting in a shut down so necessary repairs could be made. Ida Mae took out a mortgage on her home to provide the cash needed to sustain the business and pay her employees during the hiatus. Ultimately, she had to close the business but was saddled with a \$160,000 mortgage on her \$245,000 home.

The reverse mortgage paid off the debt and allowed Ida Mae to continue living in the home she loves.

CASE STUDIES, *continued on page 11*

## Learn While-U-Lunch Calendar Unveiled

Since its inception two years ago, NRMLA's Learn While-U-Lunch teleconference program has proven a resourceful tool to help educate members on important reverse mortgage topics and other issues impacting seniors.

NRMLA kicked off our 2006 series with an informative discussion of FHA's new appraisal guidelines (*see separate article on Page 4*), which now mirror conventional standards used by Fannie Mae and others.

Doug Walters, a housing policy specialist with FHA, discussed the requirements of Mortgagee Letter 2005-48, and answered more specific questions related to termite inspections, well/septic tests, private road agreements, and other property-type issues that are typical of a HECM transaction.

NRMLA hosted an equally engaging program on *Making Sure Your Marketing Techniques Comply With Federal Law*. Representatives from the Federal Trade Commission, FHA, and NRMLA's general counsel

LEARN WHILE-U-LUNCH, *continued on page 12*

# FHA Loosens Repair and Inspection Guidelines

The U.S. Department of Housing and Urban Development published new repair and inspection guidelines in December that will make it easier for a senior living in rural areas, and in homes with minor structural defects, to obtain a reverse mortgage.

Published on December 19, 2005, Mortgagee Letter 2005-48 brings HUD's guidelines into conformance with less stringent rules required by Fannie Mae.

In the past, minor defects, such as a leaky faucet or cracked window, had to be repaired as a prerequisite for obtaining a reverse mortgage. The good news is that HUD no longer requires automatic repairs for most minor structural

defects. Direct endorsement (DE) underwriters have been given greater authority to decide what conditions pose a health and safety risk to the homeowner and therefore must be fixed.

In addition, HUD no longer requires "private road agreements" which are commonplace in rural areas where homes are accessible only by a private road or shared driveway.

To help kick off the 2006 Learn While-U-Lunch series, NRMLA invited Doug Walters, a housing policy specialist with HUD, to discuss the requirements of Mortgagee Letter 2005-48, and answer more specific questions related to termite inspections, well/septic tests, and other property-type issues that are typical of a HECM transaction.

Below are some of the highlights taken from the program. If you have a specific question not addressed below, please e-mail Walters at [donald\\_d\\_walters@hud.gov](mailto:donald_d_walters@hud.gov).

## REPAIR REQUIREMENTS

Following are examples of minor property conditions that no longer require automatic repairs:

DIRECT ENDORSEMENT (DE) UNDERWRITERS HAVE BEEN GIVEN GREATER AUTHORITY TO DECIDE WHAT CONDITIONS POSE A HEALTH AND SAFETY RISK TO THE HOMEOWNER AND THEREFORE MUST BE FIXED.

- Missing handrails
- Cracked or damaged exit doors that are otherwise operable
- Cracked window glass
- Defective paint surface in homes constructed post-1978
- Minor plumbing leaks (such as leaky faucets)
- Defective floor finish or covering (worn through the finish or badly soiled carpeting;
- Evidence of previous (non-active) Wood Destroying Insect/Organism damage where there is no evidence of un-repaired structural damage
- Rotten or worn out counter tops
- Damaged plaster, sheetrock, or other wall and ceiling materials in homes constructed post-1978
- Poor workmanship
- Trip hazards (cracked or partially heaving sidewalks, poorly installed carpeting
- Crawl space with debris and trash
- Lack of an all weather driveway surface

Following are examples of property conditions that may pose a risk to the health and safety of the homeowner, or the soundness of the property, and therefore require automatic and immediate repair:

- Inadequate access/egress from bedrooms to exterior of the home
- Leaking or worn out roof (if there are three or more layers of shingles on a leaking roof or worn out roof, all existing shingles must be removed before re-roofing)
- Defective paint surfaces in homes constructed pre-1978
- Defective exterior paint surfaces in homes constructed post-1978 where the finish is otherwise unprotected

## INSPECTION REQUIREMENTS

HUD no longer requires automatic inspections for the following:

FHA APPRAISALS, *continued on page 7*

# Taking the Fear Out of Trusts & Powers of Attorney

It's quite common, especially in California, to meet with a client whose home and other assets are tied up in a trust. While some lenders may cringe when they hear the word "trust" there's nothing to worry about as long as you understand some basic facts.

NRMLA spoke with several industry experts to increase our knowledge of the topic. We spoke with financial planner Art Widmann, of Widmann Financial, Bowie, Md.; estate/probate attorney Alexander Djordjevich, who has a private real estate and estate planning practice in Washington, D.C.; lender Robert Ready, of East West Mortgage, Bowie, Md.; and loan underwriters Nichole Crawford, of Wells Fargo Home Mortgage, Minneapolis, Minn., and Deanne Opstad, Financial Freedom Senior Funding Corporation, Atlanta.

## WHAT IS A TRUST?

Trusts are primarily used to transfer or shelter a home, and other assets, to avoid probate. "A box is created and anything that goes into the box doesn't go through probate," explained Widmann.

There are two basic types of trusts, revocable and irrevocable. There are different sub-categories, or "flavors," of revocable and irrevocable trusts, such as charitable trusts, bypass trusts, A/B trusts, and unitrusts. Many of these trusts seek to reduce or minimize estate taxes and some even have current income tax benefits. A revocable trust (which includes the popular "living" trust) is the most flexible. A homeowner can change his mind, remove assets from a revocable trust, so they revert back into his name.

An irrevocable trust is less flexible. If a home is protected by an irrevocable trust, it's very difficult to do a reverse mortgage.

According to Widmann, there are three parties common in all trusts:

- **Grantor** (sometimes referred to as the trustor). This person is responsible for setting up the trust.
- **Trustee**. This person is responsible for keeping track of the assets. The trustee has all the fiduciary responsibilities and all the liabilities associated with the trust.

- **Beneficiary**. This person receives the benefits of the trust. [During the Grantor's lifetime, he is the beneficiary; after his death, there are beneficiaries set forth in the Trust.]

It's quite common to see the same entity, or same person, occupying all three positions, at least during the grantor's lifetime.

## UNDERWRITING ISSUES

If a client's assets are tied into a trust and the person applies for a reverse mortgage, he or she must be the sole beneficiary. Although that is typically the case, Opstad has seen trusts that give individuals, other than the reverse mortgage client(s), life estate to the property. "In other words, we can't have somebody that has a right to live in the property beyond our borrowers' deaths," she said.

Divorces can sometimes complicate matters as well, especially when children are involved. After one parent's death, children sometimes split the trust and move some assets, including the home, into a family trust. The property cannot be in a family trust because that gives beneficiaries (other than the remaining spouse) rights to the property.

Again, the reverse mortgage borrower(s) can be the only trust beneficiary.

Another issue that underwriters look for is whether the trust permits the trustee to encumber, or mortgage, the property. In summary, a trust must have the following three things: 1) the borrower(s) must be the sole beneficiary; 2) the trustee must have the ability to encumber the property; 3) the trust must be a revocable trust.

"If those three things are not present, then the trust has to be amended," said Opstad. The only way to change an irrevocable trust to a revocable trust is by court order.

Title companies are frequently asked to review the trust for acceptability as well. Occasionally, Opstad sees trusts that are written in Florida, but the property is in Ohio. In cases like this, a title company ensures the trust meets Ohio laws.

## MAKING SURE BORROWER UNDERSTANDS TRUST IMPLICATIONS

In most cases, a borrower knows whether his or her home is tied up in a trust. The person may not

**UNDERSTANDING TRUSTS**, *continued on page 6*

call it a revocable trust. They may refer to it as a trust or living trust. A little detective work on the part of the lender, or loan underwriter, will uncover whether it's revocable or irrevocable.

Ready will ask his clients for a copy of the trust, so he can review it and submit it to his underwriters and title company. "This way, we can identify potential problems early in the process," he said.

Added Widmann: "I'd like to reiterate that a trust is like a box. You have to make sure the trust has been funded and the property is really in the trust. A cursory look at the deed, just to make sure that it's titled in the name of the trust, can save you a lot of hassles."

Djordjevich agrees. "You need to be very careful when somebody comes into your office and says, 'oh, I have a trust and everything is in the trust,' because I've seen too many times someone with a piece of paper that says it's a trust and it's the box, as was discussed, but there's nothing in the box. The person was charged a pretty penny to do the trust and it's something, unfortunately, that all too many members of my profession don't take care of, which is the funding of the trust."

Djordjevich advises lenders to contact the attorney who drafted the trust in case it needs to be amended or anything needs to be clarified.

In most states, the contents of a trust are private and not available for public review. However, Opstad and Crawford said it's important that a lender be able to review the entire trust, not just an excerpt, to make sure it meets FHA's standards.

"We tell the client, 'if you want to do this loan, this is what we need.' Most borrowers are willing to give us what we need, because they want to do the loan and they understand that we have certain criteria that we have to meet," said Crawford.

## POWER OF ATTORNEY

A durable power of attorney enables a designated friend or relative to act on behalf of an incapacitated individual. The POA literally steps into that person's shoes.

HUD requires a reverse mortgage borrower to be mentally competent when executing the power of attorney. If a person is competent, he or she must go to counseling and sign the initial application. The power of attorney document must allow the person

acting as power of attorney to encumber property. It must also be durable, which means that it survives incapacitation or disability. Underwriters typically want a title company to review the power of attorney document just to uncover any other possible issues.

"Where we run into problems," said Opstad, "is if we have a recent power of attorney with a doctor's letter that states the borrower can't go to counseling because they have Alzheimer's, or something like that. It's very important that we make sure that that borrower knew what they were doing.

"We don't allow a power of attorney to take an interest away from a property. If you've got a husband and wife, he's on title, and they've got a power of attorney that's going to take one person off the title, we require a court order to remove somebody from the actual title of the property," added Opstad.

According to Djordjevich, there are two types of POAs. One is a power of attorney that is effective at the time the client signs it. And, so, for example, a father signs a power of attorney giving his son an immediate power of attorney to act on his behalf, such as withdraw money from the bank and pay bills.

The other kind is sometimes referred to as a "springing power of attorney" that only becomes effective if a physician rules an individual mentally incompetent.

Djordjevich suggests that lenders ask for an original copy of the POA document.

"You may want to look at the date to see when it was signed and whether the person assigned as power of attorney has any issues of competency," he said. If the power of attorney is found not to be competent, then a conservatorship may be warranted.

Sometimes, more than one person may be named as a power of attorney, in which case a lender should pay specific attention to whether the POA document says "or," or whether it says "and," because in some cases both power of attorneys may need to sign something. **RMA**

*(Note: If you would like to learn, NRMLA is hosting a Learn While-U-Lunch conference call titled Understanding Trusts, Conservatorships, Powers of Attorney & Vesting Issues on Tuesday, July 11. Register on NRMLAOnline.org.)*

- **Wood destroying insects/organisms.** An inspection is required only if there's evidence of an active infestation, if it's mandated by state or local law, if it's customary for the area, or if the lender decides it's necessary. (Note: Because termites are more common-place in some states than others, check with your wholesale lender to see whether an auto-matic pest inspection is required.)
- **Private Well.** No water test is required unless a problem is observed by the appraiser. Some situations where a water test is warranted may include: corrosive pipes (plumbing); areas of intensive agriculture with ? mile; coal mining or gas drilling within ? mile; a dump, junkyard, factory, gas station, or dry cleaning operation is located within ? mile; and unusually objection-able taste, smell or appearance of well water.
- **Septic System.** A test or inspection is only required if there's evidence of a system failure, or if it's mandated by state or local law, if it's customary to the area, or the if the lender decides it's necessary. (Note: Contact your wholesale lender to see which of the following policies is acceptable.)

The following conditions will still require automatic inspections to determine whether repairs are necessary:

- Standing water against the foundation and/or excessively damp basement
- Hazardous materials on the site
- Faulty or defective mechanical systems, such as electrical, plumbing or heating
- Evidence of possible structural failure (e.g., settlement or bulging foundation wall)

**EXPLANATION OF EFFECTIVE DATES**

If the new appraisal form was used between November 1, 2005, and January 1, 2006, the new guidelines apply. If the old appraisal form was used, the old guidelines apply. All appraisals completed on or after January 1, 2006, must be on the new form and follow the guidelines mandated by Mortgagee Letter 2005-48. **RMA**

The bill, known as the Reverse Mortgages to Help America's Seniors Act, now moves to the Senate (S. 1710) where lead sponsor, Sen. Rick Santorum (R-PA), has expressed a desire to hold a hearing in the coming weeks. Right now, S. 1710 has only two additional co-sponsors, Senators Mike Crapo (R-ID) and Lincoln Chafee (R-R.I.)

It's important that we start generating aware-ness and support for S. 1710 right now. The only way we can do that is if you, our members, contact both your Senators and ask them to support S. 1710. Our bill is not contentious. If you take time to meet with your Senators' staffs, or even fax a letter asking for their support, chances are, your efforts will help us pass S. 1710.

For your convenience, NRMLA has drafted a sample letter that you can fax to both Senators. The letter can be downloaded from the Home Page (beneath the heading What's New) on NRMLAOnline.org.

Review the letter, re-type onto personal or busi-ness letterhead, sign, and fax it to your Senators' offices in Washington, D.C. It is important that you fax it. Do NOT mail or e-mail the letter. Since 9/11, mail delivery is incredibly slow getting to Capitol Hill.

Secondly, by faxing the letter, you are ensuring that a staff member physically handles it and directs it to the appropriate recipient. After faxing the letter, it is very important that you call within two weeks to make sure the letter was received and whether the Senator or staff have any questions.

To obtain your Senators' phone and fax numbers, please go to [www.senate.gov](http://www.senate.gov), or [www.congress.org](http://www.congress.org).

If you have the time sit down with your Senator or his/her staff in your district or in Washington, D.C. please consider doing so. You will not only have a chance to share your knowledge of reverse mortgages, but you will also establish a personal relationship that will be beneficial both now and in the future when additional legislation impacting the reverse mortgage program comes about.

If you have any questions, or would like recom-mendations on how to proceed, feel free to contact Daniel George at [dgeorge@dworbell.com](mailto:dgeorge@dworbell.com), or 202-939-1776. **RMA**

identified several discussion points summarized below.

### **MORTGAGE INSURANCE PREMIUM**

One of the biggest costs incurred by consumers is the mortgage insurance premium, or MIP. Borrowers are charged a two percent MIP (200 basis points) upfront, plus an annual premium thereafter equal to 0.5 percent of the loan amount.

NRMLA asked HUD to consider reducing the MIP, or redistributing more to the backend (annual premium) so that a consumer pays less upfront. In the 2005 HUD budget, the annual break-even cost of administering the HECM program was projected at .24 percent (24 bps) which may indicate that HUD has a cushion to work with.

Some lenders asked whether it would be possible to amortize the upfront MIP over several years, or to eliminate it entirely and increase the annual premium. Even by redistributing more to the backend, HUD would still receive the same amount of MIP over the life of a loan.

HUD indicated it might support reducing the MIP to one percent and increasing the annual premium from .5 percent to some higher amount. This change could be done through regulation, but it would take a minimum of 18 months.

### **ORIGINATION FEE**

In previous discussions, HUD has asked the lending industry whether it would consider lowering the origination fee as part of a comprehensive cost-reduction plan. Jim Mahoney, CEO of Financial Freedom Senior Funding Corporation, and Sarah Hulbert, Executive Vice President of Reverse Mortgage of America (a division of Seattle Mortgage Company), said greater competition in the marketplace, especially in high-cost areas, is already driving down origination fees.

Mahoney and Hulbert, who Co-Chair NRMLA's Board of Directors, argued that as the marketplace becomes more efficient, and back-office costs are reduced, even more lenders will have the ability to reduce fees. Meg Burns, Director of Single Family Product Development at HUD, agreed that originat-

ing a reverse mortgage is more labor intensive compared with other types of mortgages. The discussion moved away from lowering the origination fee to identifying the most challenging aspects of originating a HECM loan.

Lenders sitting around the table agreed that a more efficient marketplace, and streamlined back-office operations, can help drive down costs. Hulbert proposed that HECM lenders be allowed to participate in the Lender Insurance program outlined in Mortgagee Letter 2005-36, in which certain lenders are permitted to self-insure loans and deliver a sampling of loan packages (case binders) electronically to HUD.

Burns indicated that the reason HECM lenders were not able to electronically deliver case binders to HUD was that the Loan Agreement requires an original signature from HUD. One possible solution would be to batch Loan Agreements and deliver them to HUD for signing at regular intervals. Another solution discussed would be for HUD to eliminate the current requirement that loan documents be signed by the borrower, lender and HUD. Hulbert pointed out that no other program besides HECM requires the loan document to be signed by HUD (in this case, a representative from the Home Ownership Center).

Burns said she might consider implementing a pilot program to test electronic delivery of loan packages to HUD. She agreed with Hulbert that HUD shouldn't have to sign the loan document, and said she would examine the issue more closely with staff.

### **THIRD-PARTY COSTS**

Sarah Hulbert said the origination process could be greatly improved if lenders could order title (lien) searches, pest control and appraisals (or automated valuations) prior to receiving a signed counseling certificate. Some title issues (especially those that can derail a transaction) are not uncovered until just before closing, which can be upsetting to the borrower.

If lenders could order these services upfront, some potential obstacles could be avoided. The

Working Group agreed that HECM loan applicants should not be charged for these fees if the loan does not close. As such, the decision to incur such costs on behalf of the borrower would be a risk-based decision made by every lender.

While she wasn't entirely convinced that lenders should be allowed to order appraisals prior to counseling, Burns did support allowing lenders to order AVMs, title searches and pest inspections prior to receipt of a counseling certificate if the borrower was not charged these costs if the loan did not close. Burns agreed to work with NRMLA to develop a mortgagee letter that would permit this.

### **SECONDARY MARKET VALUE OF THE LOAN**

Working Group members agreed that for the marketplace to grow investors must be willing to pay a premium for HECM loans. NRMLA Vice Chairman Patrick McEnenery said premium pricing could help cover some upfront costs, which is why there are so many zero cost "forward" mortgages.

Only one primary HECM investor, Fannie Mae, exists because there is very little available data on the performance of reverse mortgages, as well as clear definitions of investor risk. McEnerney said HUD must be willing to share the kind of data that investors need if there is ever going to be a mass market for reverse mortgages.

HUD's Meg Burns supported greater transparency of HUD data. However, she wasn't sure what kind of data could be shared and who at HUD has that data. She promised to research the issue.

### **SERVICE FEE SET-ASIDE**

Fannie Mae's Dave Carey said the service-fee set aside (SFSA) is often very difficult to explain to consumers. He suggested that the SFSA be folded into the interest-rate margin, so that it doesn't appear as a "cost" to the consumer.

Meg Burns supported Carey's proposal. She said this is an investor issue that does not require a regulatory change. Carey said he would like HUD to provide this opinion in writing.

The Working Group is looking to meet later this spring to follow-up on a lot of these issues. Stay tuned for additional updates. **RMA**

These expenses, which can include health care and home maintenance, tend not to vary considerably from market to market, and have little if any relationship to the median home price of the area.

The disparities in the current FHA loan limits mean that a senior homeowner living in a city with a low FHA loan limit cannot access as much of his or her home equity as can a senior living in a city with a high FHA limit, regardless of their relative need for the funds. This unfairly penalizes senior homeowners in low-cost areas.

In addition, the variances in loan limits confuse seniors. Furthermore, it is difficult for lenders to undertake nationwide marketing efforts for HECMs and create standard explanatory materials that can help homeowners determine how much income they could get from a HECM. This has inhibited the growth of the program and prevented more widespread publication of information about reverse mortgages. As a result, many senior homeowners still do not know they can get a federally-insured reverse mortgage that could dramatically improve their quality of life.

For these reasons, NRMLA has been advocating for a single national loan limit for the HECM program for the past several years.

If a single limit is ever enacted it would nearly double the amount of home equity that elderly homeowners could convert into income in most of the country. A single national limit for HECMs would make the same amount of home equity accessible to every senior homeowner, regardless of where the homeowner lives. This would also make the HECM program easier for lenders to administer and for seniors to understand. **RMA**

THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT HAS HINTED PUBLICLY THAT IT MAY SEEK AUTHORITY FROM CONGRESS THIS YEAR TO IMPLEMENT A SINGLE NATIONAL LOAN LIMIT FOR ITS SINGLE- AND MULTIFAMILY LOAN PROGRAMS TO HELP BOOST FHA'S MARKETSHARE.

tional costs to homeowners who consider taking out reverse mortgages.

In Connecticut, the Banks Committee (part of the Connecticut General Assembly) held a public hearing on March 6 to discuss Raised Bill 230, which state Attorney General Richard Blumenthal introduced.

The bill would require mandatory counseling, a three-day rescission period, and prohibits shared appreciation loan products. NRMLA Board of Directors member Joe DeMarkey, of BNY Mortgage, testified that counseling is already required for all reverse mortgage products offered today and that the federal Truth-In-Lending Act mandates a three-day right of rescission period. Furthermore, NRMLA stated in written testimony that no reverse mortgage product in the marketplace has "equity-sharing" or "shared appreciation" features and that restricting such products altogether "could get in the way of product innovation down the road."

Based on our comments and follow-up action with lawmakers, the Banks Committee chose not to pursue the legislation any further. However, Attorney General Blumenthal may attach R.B. 230 to another bill before the legislative session ends on May 3. NRMLA will be vigilant in trying to make sure this bill does not move any further and will keep you posted.

In Rhode Island, NRMLA submitted testimony against House Bill 7237. It's our understanding that H.B. 7237 was originally intended to abolish an existing provision of the law that imposes a 10-year term limitation on all reverse mortgage transactions. However, the current wording of the bill does not fix the problem. According to our general counsel's interpretation, not only does the legislation not remove the 10-year term limitation, it may require borrowers to use all, or a portion, of their reverse mortgage funds to purchase an immediate or deferred life annuity contract. After reviewing NRMLA's testimony, which pointed out these problematic areas, the Committee on Corporations agreed to study H.B. 7237 further.

California Senate Bill 1609 would prohibit the purchase of an annuity product with the proceeds from a reverse mortgage, and it would require mandatory counseling from a HUD-approved counseling agency. NRMLA will submit testimony shortly

arguing that these changes are superfluous and unnecessary. Stay tuned for further updates.

## **NATIONAL AGING IN PLACE WEEK BUILDS SENIOR AWARENESS**

NRMLA, in partnership with The National Aging in Place Council, is pleased to announce that National Aging in Place Week 2005 was a success.

Building upon experiences from past years, member organizers hosted events in over 35 cities nationwide, from Honolulu, HI to Burlington, Vt.

In each city, professionals from the aging, healthcare, financial services, home-remodeling and employment sectors participated in seminars and resource fairs. Participants encouraged retirees and their families to be proactive in thinking about their future housing and healthcare needs, and ultimately, to provide ideas and information on products, services and lifestyle tips that will help them achieve comfortable, independent living as they age.

Governors from seven states helped to bring national attention to the issues affecting senior citizens and aging in place by declaring the week of November 6, 2005, as "Aging in Place Week."

With their proclamations, Governors Gregoire of Washington, Granholm of Michigan, Owens of Colorado, Warner of Virginia, Douglas of Vermont, Pawlenty of Minnesota and Guinn of Nevada made an enormous contribution to the public awareness campaign and to the efforts that took place across the nation.

All NRMLA delegates are entitled to a complimentary membership in the National Aging in Place Council. If you would like additional information, please visit [www.naipc.org](http://www.naipc.org), or contact Daniel George, 202-939-1776, [dgeorge@dworbell.com](mailto:dgeorge@dworbell.com).

## **NRMLA ATTENDS HUD STAKEHOLDERS MEETING**

NRMLA Associate Director, Darryl Hicks, participated in a national stakeholders meeting convened by the U.S. Department of Housing and Urban Development on January 11 to seek feedback from housing advocates on developing the Department's strategic plan for the next five years.

Hicks participated in a break-out session on expanding homeownership. While HUD has tradi-

tionally focused on increasing homeownership opportunities for minorities and low-income families, Hicks said the Department should create a HECM for Home Purchase program for seniors. Although the reverse mortgage was originally conceived as a financial tool to help seniors stay in their current homes, some people have used reverse mortgages to purchase new homes that are closer to their families or better suited to their needs. Sometimes the homes purchased require less maintenance or are single-story, making it easier to navigate.

Hicks commented that HUD should consider emulating Fannie Mae's Home Keeper for Home Purchase program, which does not require a three-day right of rescission.

Additionally, Hicks said HUD should offer more resources to help prolong senior homeownership thru access to programs that promote "aging in place." This could be accomplished if HUD worked more closely with other federal agencies, such as the Departments of Health and Human Services and Transportation, to promote awareness of home and community-based services that make independent living possible for individuals as they age.

The meeting was convened by Asst. Secretary Darlene Williams, who heads the Office of Policy Development and Research, and Acting Deputy Chief Financial Officer James Martin.

#### **NRMLA PARTICIPATES IN WHITE HOUSE CONFERENCE ON AGING**

From December 11-14, 2005, NRMLA joined more than 1,200 delegates from all 50 states, the District of Columbia, American Samoa, Guam, Puerto Rico and the U.S. Virgin Islands, and over 100 exhibitors, by participating in the fifth White House Conference on Aging.

The event, held in Washington D.C., convenes once every ten years to identify and discuss the most important topics concerning America's aging population. This year's theme was "The Booming Dynamics of Aging: From Awareness to Action," with a special focus on the special challenges facing the federal government once Baby Boomers start retiring.

The delegates—selected by Congressmen, Governors, the President and local lawmakers—

were presented an inclusive, non-amendable list of resolutions with which to identify the most important aging topics. The delegates first whittled the policy resolutions down to the top 50, followed by a final vote, which selected the top 10. The final 10 resolutions will serve as the basis for policy recommendations to the President, Congress and public and private businesses to improve the quality of life for America's aging population. By statute, the final report from the conference will be presented to the President and Congress by June of 2006.

Events included a trade show presenting the latest technology, products and services available to seniors, which NRMLA participated in. Staff occupied a booth, giving us an opportunity to reach out to the delegates and other exhibitors to discuss the importance of reverse mortgages.

To learn more, visit [www.whcoa.gov](http://www.whcoa.gov). **RMA**

---

#### **CASE STUDIES**, *continued from page 3*

### **Maryann Hoffman**

**LEVITTOWN, BUCKS CO., PA**

Maryann Hoffman, age 75, was widowed and facing foreclosure. During our initial meeting, we found out she was raising a granddaughter with special needs. Maryann had fallen behind on her bills and had recently stopped taking her heart medication so she could provide food for her granddaughter.

The \$230,000 residence was all she had, and it proved to be a lifesaver. We set up a reverse mortgage which not only staved off foreclosure but provided a stream of income to help cover living expenses.

Shortly after settlement, Maryann was hospitalized because she had stopped taking her heart medication. Fortunately she recovered and with medical and financial assistance in place, Maryann is now able to care for herself and her granddaughter.

### **Karl and Rita Schwabe**

**ROCKLEDGE, MONTGOMERY CO., PA**

When we met the Schwabe's, there was water coming through the ceiling. Rita was 78 and Karl was 80. Their home was valued at \$175,000 and

**CASE STUDIES**, *continued on page 12*

free of any liens, but they did not have the money to make needed repairs.

The reverse mortgage was the perfect financial tool to provide the Schwabe's with a safe and secure home, allowing them to age in place. However, in order to satisfy the mortgage requirements, certain repairs needed to be completed in advance.

We were able to find contractors who agreed to do the work and accept payment after settlement. The Schwabe's now have the security of knowing that they can remain in their home for as long as they want, and that they can pay for any future repairs the home may need. **RMA**

---

LEARN WHILE-U-LUNCH, continued from page 3

were be on hand to discuss what's appropriate, and what's not, when advertising to seniors.

Other topics that will be discussed throughout the year, include:

- Dealing With Condos and Other Property Types;
- Status Report on HUD's Telephone Counseling Network;
- The Power of Networking to Gain Additional Reverse Mortgage Business;
- Working With Children and Other Trusted Advisors;
- What Happens to a Reverse Mortgage After Funding: Common Servicing Issues;
- Understanding Trusts, Conservatorships and Powers of Attorney;
- Building an Effective Reverse Mortgage Marketing Campaign;
- Qualities and Personality Traits of Successful Reverse Mortgage Originators;
- Promoting Greater Access to Programs That Help Seniors Age In Place;
- Explaining TALC and Other Disclosures to Reverse Mortgage Borrowers.

NRMLA created the Learn While-U-Lunch program as a series of short (3/4 hour) telephone seminars, scheduled for the second Tuesday of each month, about specific reverse mortgage or other senior-oriented topics that are beneficial to the growth of your business. The programs are digitally recorded, so that you can listen to the program as often as you need.

You can either register for individual sessions or take advantage of our discounted package deals. By signing up for a package deal, you can listen to programs that have already occurred this year. To learn more, visit [NRMLAOnline.org](http://NRMLAOnline.org). **RMA**

## Briefs

### Reverse Mortgage Story Leads to Surge in Consumer Information Requests

Our job at NRMLA is to make sure that reverse mortgages remain a hot topic in the national news media.

On Sunday, January 8, *Washington Post* personal finance columnist, Michelle Singletary, produced a very positive piece on reverse mortgages ("Keep the House But Get the Cash") that appeared in *The Boston Globe*, *St. Louis Post-Dispatch*, and other papers that publish her nationally syndicated column. Ms. Singletary wrote the article after receiving a press release from NRMLA that talked about HUD raising the FHA lending limits in 2006.

As a result of the article, more than 1,000 consumers called NRMLA requesting copies of our three educational booklets, *Just the FAQs*, *Using Reverse Mortgages for Healthcare*, and the *NRMLA Guide to Aging in Place*—or triple the normal number of weekly requests.

Other favorable articles were published by the *Chicago Tribune*, *The New York Times*, and other local publications.

If you see a reverse mortgage article in your local paper, please let us know, so that we can add it to the news archive on our web site. **RMA**