

Raising HECM Cap Highlights NRMLA Legislative Agenda

In response to rapid growth in the reverse mortgage program, a key NRMLA legislative priority in 2005 will be to raise, or eliminate altogether, the existing cap on the number of outstanding FHA Home Equity Conversion Mortgages.

Section 255 of the National Housing Act, which governs the HECM program, limits the aggregate number of outstanding HECMs to 150,000. Right now, that figure is approaching 100,000. Conceivably, the cap could be reached in the next 12 to 24 months.

NRMLA will be hosting our 2005 Reverse Mortgage Legislative Conference in Washington, DC, June 14-16, to formulate a strategy for handling this issue and others impacting our industry. It is imperative for NRMLA members to contact their elected Representative in Congress and

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BORROWER PROFILE

How the Reverse Mortgage Changed My Life *By Durfee Bedsole*

(Editor's note: The following letter was forwarded to Reverse Mortgage Advisor by Clive Hambrook, of W.R. Starkey Mortgage, LLC. Permission from the author was obtained to reprint the letter.)

By way of introduction, I am 70 years of age and share a log home with my business partner/chef who is 64. We both divorced our husbands many years ago. We came to East Texas 13 years ago and opened a country French restaurant. We enjoyed tremendous success but decided to retire seven years ago. Our combined income is about \$1700 a month from Social Security.

After paying homeowners insurance, car insurance, life insurance, Medicare supplements, utilities, gasoline, car maintenance, lake community dues, and normal

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Reverse Mortgage Industry News

FANNIE MAE IMPLEMENTS STREAMLINED REFINANCE RULE

Fannie Mae announced on January 14 that it will start purchasing FHA Home Equity Conversion Mortgages (HECMs) with a reduced initial mortgage insurance premium (MIP) on HECM refinancings.

The company updated its purchasing guidelines to comply with Federal Register Notice 24 CFR Part 206 published as a Final Rule by the U.S. Department of Housing and Urban Development on December 15 and HUD Mortgagee Letter 2004-18. The MIP collected on a refinanced HECM will equal 2% of the difference between the original "maximum claim amount" and the new "maximum claim amount." Previously, refinance customers had to pay the entire 2% MIP all over again based on the new maximum claim amount.

Fannie Mae will NOT purchase a refinanced HECM if the borrower is in default for not paying taxes and/or insurance, or if the borrower is in default for not completing required property repairs within one year pursuant to the repair rider. The new guidelines will save seniors hundreds, if not thousands, of dollars in closing costs.

LEARN WHILE-U-LUNCH SESSION FOCUSES ON LEAD GENERATION

NRMLA kicked off its 2005 Learn While-U-Lunch educational series on January 11 with an informative discussion focusing on lead-generation sources that are available to help lenders increase reverse mortgage production. The program—titled Turning Leads Into Applications—featured speakers David Peskin, CEO of Lender Lead Banc, based in Melville, N.Y.; and Sandy Baylor, Third Community Mortgage, Kent, Ohio. In recent years, more companies, such as Lender Lead Banc, which specialize in selling leads to loan originators, are entering the reverse mortgage business. Through a variety of techniques, these lead-generation companies collect consumer

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.

information, such as mailing addresses and phone numbers, and sell the information to lenders so they can better market their services.

Our speakers discussed the types of leads available for purchase, the legal ramifications of lead generation, and the best ways to convert leads into closed loans. The audio file from the program, and accompanying PowerPoint presentation, are available for download on NRMLA's member web site at www.nrmlaonline.org. Individuals who registered for the teleconference can listen free of charge, while other NRMLA members will be charged a nominal fee. You must be a NRMLA member to download the file.

NEW HUD LENDING LIMITS

HUD published Mortgagee Letter 2004-46 on December 23, which officially raised the 203(b) lending limits, which includes the HECM program, effective Jan. 1, 2005. The highest of the loan limits—applicable to major metro areas—rose to \$312,896, up from \$290,319 in 2004. The lowest loan limit—which generally applies to rural and non-metro

INDUSTRY NEWS, 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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HUD Simplifies HECM Counseling Process

NRMLA is pleased to announce the publication of Mortgagee Letter 2004-48: HECM Counseling Requirements Simplified by the U.S. Department of Housing and Urban Development on December 30, 2004. Through direct, ongoing consultations with HUD staff, NRMLA played a critical role in getting some very important changes to the HECM counseling process incorporated into Mortgagee Letter 2000-48, which took immediate effect.

Highlights:

- Lenders are no longer required to provide an entire state list of HECM counselors to prospective reverse mortgage borrowers. Mortgagee Letter 2004-48 requires lenders to provide a list of at least five HUD-approved agencies in the local area and/or state that offer HECM counseling (except in cases where fewer than five agencies are serving a particular state). A lender must include at least one agency located within a reasonable driving distance in case the borrower wants to receive face-to-face counseling. In addition to the five local agencies, the list must include the AARP Foundation Network of HECM Counselors toll-free number, 800-209-8085.

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Texas Reverse Mortgage Group Pushing for HECM Improvements

State lawmakers in Texas are considering a Joint Resolution that amends the Texas Constitution to permit reverse mortgage lines of credit.

Currently, a Texas resident can only take the proceeds from a reverse mortgage in the form of a lump sum payment or fixed monthly payments. Senate Joint Resolution 7 (SJR 7) would add lines of credit as a third payment option.

In addition, SJR 7 would amend the state Constitution to permit lenders to disburse the funds from a reverse mortgage on any day of the month, once the three-day right of rescission expires. Right now, lenders can only disburse funds on the first business day of each month.

State lawmakers, Rep. Scott Hochberg (Houston) and Sen. John Carona (Dallas) are sponsoring the Joint Resolution. If SJR 7 is approved by two-thirds of the state Senate and House of Representatives, a majority of Texas voters must vote in favor of the proposed amendment on Election Day, November 2, 2005, for the change to take effect.

Joint Resolutions passed by the legislature are not submitted to the

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Bonding With Your Reverse Mortgage Client

Perhaps the most important aspect of customer service is the first impression a reverse mortgage customer has of you. Whether you know it or not, seniors are evaluating whether they want to do business with you during those first few minutes.

“What I find interesting is that I may chat with seniors for 45 minutes explaining the program, getting to know them, and they’re looking at me as though they’re looking through me,” said Mike Gruley, President of First Financial Mortgage Corp., Northville, Mich. “When I finish they seem to lighten up and say ‘okay this sounds good, now tell me how this reverse mortgage really works?’ What they were doing was sizing me up, because I think they are fearful. They don’t want to be in my office.” The more comfortable you make your clients feel, the more successful you’ll be helping them obtain a reverse mortgage.

“Psychologists tell us we have 17 seconds to make a good first impression,” said Dennis Pigg, President of Safeway Mortgage, Inc., Smyrna, Ga. “The downside to that is we have 17 seconds to make a bad first impression. If you don’t get off on a good foot, you can forget the benefits of bonding with your customer.”

Pigg and Gruley shared their experiences during a special “Learn While U Lunch” program hosted by NRMLA that examined customer service from initial point of contact to loan closing.

Here are some important issues discussed:

- **A Live Person Should Answer the Phone.** If possible, eliminate your automated phone system and let that be a backup. Seniors especially, but also their family members, prefer speaking with a live person.
- **Treat Your Client As You Would a Parent or Grandparent.**
- **Get to Know Your Client.** Don’t just do the mortgage transaction and send them on their way, said Gruley. Learn about their kids, their families, and ask them questions unrelated to the reverse mortgage. If clients do not feel they know you as a person, they may become apprehensive about working with you. Pigg added, “If

you don’t spend an hour to an hour-and-a-half with a client before you go out to their home, you’re trying to push a rope uphill.” Learn everything you possibly can about the person, about their circumstances, what motivates them, what gets them excited, and what they’re afraid of, because seniors buy from you for two reasons, out of fear or regret. Don’t ask questions that require a yes or no answer. Engage them.

- **Reverse Mortgage Sells Itself.** “The reverse mortgage is so good,” said Pigg, “that the program sells itself.” All you need to be is a good communicator with the client, or the client’s family members, and that bonding is what creates good communication.
- **Train Office Staff.** All new hires at Safeway Mortgage, even receptionists, undergo three full days of intense training to make sure they understand the reverse mortgage program. The training does not stop there. Every employee at Safeway Mortgage is required to put in 40 hours a year of in-service training, which includes watching motivational and educational videos. “The only way we’re going to stay on the cutting edge of communications skills is to learn everything we possibly can to get inside the head of our clientele,” said Pigg, “including what makes them react and respond the way they do and what makes them make a decision.”
- **Promote Office Staff.** When he meets with a client, Pigg “promotes” all Safeway Mortgage employees. If a client has a follow-up question about an appraisal or about title issue, for example, Pigg informs the client which Safeway employee should be consulted. “After visiting with the senior, we send them a welcome letter identifying each staff person, his or her specialty, and phone extension,” said Pigg. “If you can’t make yourself the absolute best choice, the senior will look elsewhere.”
- **Making Yourself Understood.** A challenge that many loan officers face is communicating effectively with a client who may be 40 or 50 years older. “It’s no different than when you were 14 and your parents were 35,” said Gruley. “I may do a great job upfront communicating with the

BONDING WITH YOUR CLIENTS, *continued on page 10*

How You're Helping to Fund NRMLA's Consumer Education Campaign

Launched in November 2001, NRMLA's consumer education campaign has produced a great deal of favorable news coverage, contributing to the surging popularity of reverse mortgages. In particular, the press coverage generated by NRMLA has helped increase seniors' comfort level with the reverse mortgage product.

Two critical funding sources have helped sustain our public relations campaign: the Marketing Partner program, and a \$15 assessment deducted by Financial Freedom Senior Funding Corporation and Seattle Mortgage Company for every loan originated by one of their correspondent lenders or retail loan officers.

The net result of these contributions is that every week NRMLA staff is notified of articles that appear both in major daily newspapers and in small-town publications.

In 2004, NRMLA President Peter Bell was interviewed by the *Wall Street Journal*, *New York Times*, *Dow Jones Newswire*, *Newsday*, *CNN*, *National Public Radio*, and other respected news organizations.

Earlier in the year, Bell traveled to Philadelphia to do a pre-recorded interview with Tracy Davidson, the anchorwoman and consumer reporter for the NBC affiliate Channel 10 WCAU. The piece was then forwarded by the local station to NBC national news. NRMLA received phone calls from members who saw it in various markets around the country.

Some of the major news headlines generated by NRMLA in 2004 include:

Family Finance: Reverse Mortgages Viewed As Source to Fund Care for the Elderly (Wall Street Journal); *Putting Your Home's Equity to Work for You* (MSN Money); *Building a Better Nest Egg* (U.S. News & World Report); *Report Will Urge Using Reverse Mortgages for Senior Services* (Chicago Tribune); *Reverse Mortgages Surge Ahead* (Investment News); *Boomers Seeking Ways to Help Fund Care Needs for Aging Parents, Relatives* (Associated Press); *More Owners Over 62 Are Supplementing Retirement Income With Reverse Mortgages* (Los Angeles Times).

A recent news story generated by NRMLA was a piece written by Associated Press reporter Adam Geller. The article was picked up by many newspapers that subscribe to the AP wire service.

Again, our Consumer Education and Press Outreach activities are covered by two sources of revenue, funds from the Marketing Partner program and a \$15-per-loan assessment.

Press outreach includes:

- Drafting and issuing press releases every several weeks;
- Making follow-up phone calls to obtain interviews;
- Responding to requests for information and interviews from reporters;
- Traveling to cities around the country to meet with reporters or appear on television shows.

Consumer education includes:

- Updating and reprinting our four NRMLA consumer guides;
- Fielding phone calls from consumers and fulfilling their information requests;
- Providing the reverse mortgage calculator on NRMLA's website;
- Implementing outreach activities with other organizations, including attending and speaking at their conferences, and meeting with their key leaders and management;
- Making our generic display ad available to all NRMLA members for their use at no cost, once they sign a use agreement (New ads are being developed);
- Sponsoring National Aging In Place Week and other aging-in-place activities (all NRMLA member delegates will receive membership in the new National Aging in Place Council at no additional charge; non-NRMLA members will pay dues of \$120 per person);
- Providing website development, expansion and updating.

NRMLA appreciates the generosity of our Marketing Partners: Financial Freedom Senior Funding Corporation, Seattle Mortgage Company, Wells Fargo Home Mortgage, BNY Mortgage, EverBank; and Financial Heritage. (For more information on the Marketing Partner program, contact NRMLA President Peter Bell, 202-939-1741.)

We also appreciate the support provided by all our members through the \$15 loan assessment. Without your support, NRMLA would not be able to accomplish all that we are doing. **RMA**

Thinking In Reverse: Making the Transition From Conventional Mortgages to Reverse Mortgages

If your career as a mortgage loan officer has focused primarily on originating home purchase loans or refinancing conventional mortgages, and you are now transitioning to reverse mortgages, there are several things to consider as you meet with prospective clients.

Your marketing and social skills need to reflect the critical differences that exist between the users of reverse mortgages and conventional mortgages.

NRMLA hosted a special Learn While-U-Lunch program to provide information to members. Speakers included Mary Ressetar, Wells Fargo Home Mortgage, Chicago; Bill Agner, Homeowners Mortgage Services, Inc., Carmel, Ind.; and John Lucas, GMAC Mortgage, Van Nuys, Cal.

Here are some important issues discussed:

- **Take “Selling” Out of Your Vocabulary.** Do not aggressively sell the reverse mortgage as you would a refinance or home equity loan. Listen to the client. Explain how the reverse mortgage can help them with whatever needs they may have, whether it is paying off an existing mortgage, or paying for in-home care so your client can stay in the home longer. By doing that, you are providing a solution to specific issues facing the client.
- **Create Sense of Stability.** Seniors can be very reticent, cautious, and sometimes frightened by what they do not understand. To help a client feel more at ease, Lucas explains how the reverse mortgage is a government-insured program, tightly controlled by FHA and HUD. This creates a sense of stability and security.
- **Be Patient.** If you are entering the reverse mortgage business and looking for a quick sell, this is NOT the market for you. You may be educating clients today about a product that they may not take advantage of for six months or a year, said Agner. In some cases, seniors may call or schedule an appointment but their attitude is “I’m not ready for it yet, I don’t need it, I

may want it in the future, and don’t pressure me to sign on the dotted line today.” If you pressure clients, you’ll lose them forever. That particular scenario may frustrate a loan officer accustomed to earning a weekly commission check, but pressuring a client is not tolerated.

- **Find Out How Much Client Already Knows.** Thanks to NRMLA, Fannie Mae and AARP, a lot more information is available on reverse mortgages. As a result, more seniors are conducting research prior to counseling or contacting a lender. A client may be coming to you because they have additional questions that need to be explained in plain English. “If you can help them understand how the program works, and what the benefits can be, that’s what makes the world go around for us,” Ressetar said.
- **Send Follow-up Package.** After the initial consultation, it is important to send a follow-up package of materials outlining the items discussed on the phone. “I always reassure clients that I’m going to send them information on everything we’ve discussed,” said Ressetar. “That way, they don’t have to feverishly take notes and worry about getting everything down on paper.”
- **Debunking Misconceptions.** There are still a lot of seniors who think the reverse mortgage is a loan where “the bank takes your house and you get a little bit of money.” It’s a good idea to say to them that some of the things they may have heard which are negative and bad about reverse mortgages are not true. “Reassure them that this is a program that’s carefully controlled by FHA and HUD and lenders aren’t allowed to willy-nilly do whatever they want,” commented Lucas. You have to keep repeating that, and you have to do it patiently and slowly.
- **Lack of Understanding About Finance.** You will encounter seniors who never wrote a check or paid a bill in their life because the spouse handled those transactions. Suddenly they are thrust into the world of finance. Try to gauge how much your client already knows and be patient with them as you explain how the reverse mortgage works. Treat your client as you would a parent or grandparent.

THINKING IN REVERSE, *continued on page 7*

- **Making House Calls.** You may already be accustomed to working on the weekends and evenings. The same is true for the reverse mortgage business. You will encounter clients who are homebound. You'll need to drive to their home upon request, especially on the weekends or evenings, because they often want their children or a financial advisor present.
- **Don't Be Afraid of Adult Children.** "Adult children can be your greatest ally," said Lucas, especially when senior clients are still not comfortable putting a mortgage on their home. If there is an objection it is usually because children do not understand the program, or they think it is a scam. "Once they know how it works, they normally tell the parent this is something you should do," noted Lucas.
- **Cultivating Lead Generation Sources.** Any person who touches a senior is a potential lead generation source, including elder-law attorneys, estate planners, home-care providers, long-term care insurance specialists, CPAs, senior centers, church groups, and other non-profit community-based organizations. "Every person you talk to, whether it's a group of realtors, CPAs, or financial planners, yes, all these people have clients, but they also have parents, grandparents, aunts and uncles, people they know who may have a financial problem," said Lucas. You may want to distribute an announcement to your existing network of contacts from the mortgage business, letting them know, "this is what I'm doing now," added Ressetar. "Reverse mortgages aren't quite the buzz word yet, but they have received a lot of attention. Somebody may respond saying I've heard of these, tell me more."
- **Explaining the Costs.** The costs to obtain a reverse mortgage may alarm some of your clients, which is why you need to discuss the issue up front. "I tell them this is an expensive program and one of the reasons why it's expensive is because there's an upfront mortgage insurance premium remitted to the government," said Lucas. "I tell them that the insurance is very important to

you...this is the security and stability of the program. If the provider of the money ever fails to provide, FHA and HUD will step in and provide whatever the contract calls for." That means you don't have to worry if you are signing up with XYZ Mortgage Company, which may not be around five to 10 years from now. The FHA insurance also guarantees borrowers that they will never owe more than the value of their home.

Ressetar said the FHA mortgage insurance "guarantees your client will not be leaving a debt for their heirs to contend with." Agner stressed that reverse mortgages are long-term financial vehicles. "If borrowers only need money for six months or a year, then you may want to advise them to get a home equity line of credit," he said. "You want to show them early on how the cost as a percentage of the loan does go down over time, which is why I say it's a long-term loan." **RMA**

(Editor's Note: To download the entire session on audio file, visit our web site at www.nrmlaonline.org.)

To help serve our members' continuing education needs, NRMLA organized 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. To view our 2005 series schedule, go online to **www.nrmlaonline.org**.

MORTGAGEE LETTER, continued from page 3

- FHA will now permit telephone counseling for any person who does not wish to meet face-to-face with a counselor. This new rule abolishes the old requirement that borrowers meet face-to-face with counselors if they lived within 50 miles of the counseling agency. Agencies may provide telephone counseling within the state where the agency is located, or a contiguous state if approved by HUD to do so. **RMA**

U.S. Senators to schedule face-to-face meetings either back the home in the district or here in Washington during the Legislative Conference.

Getting a new bill introduced and passed—which raises or eliminates the cap—will not be easy, which is why we need your help.

While NRMLA represents the views of the reverse mortgage industry before Congress and the federal government, lawmakers are usually most influenced when contacted by their constituents. They also are more responsive if they associate the issue with a name and face from “back home.” This is why it’s critical that you get involved and educate your Senators and Representative about reverse mortgages, helping to convince them to take action on this issue.

SINGLE NATIONAL LOAN LIMIT

In addition to raising the cap on the number of outstanding HECMs, NRMLA will seek legislation to establish a single national loan limit for the HECM program.

NRMLA supports a national HECM loan limit equal to 87% of the Fannie Mae loan limit, or \$312,896 (currently the maximum FHA limit in high-cost areas). The proposed loan limit would be 50 percent higher for Alaska, Hawaii, and the U.S. Virgin Islands.

The association believes the current system unfairly penalizes senior homeowners with higher priced homes living in areas with low FHA loan limits, regardless of their relative need for funds. Furthermore, variations in area-by-area loan limits confuse seniors. It is difficult for lenders to undertake nationwide marketing efforts for HECMs and create standard materials that help homeowners determine how much income they could get from a HECM.

LONG-TERM CARE INITIATIVE

The conference will also focus on NRMLA’s plans to seek legislative changes to Sec. 201 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569). Sec. 201 directs HUD to waive the FHA upfront mortgage insurance premium for HECMs used to fund the purchase of qualified long-term care insurance (LTCi).

HUD issued an Advance Notice of Proposed Rulemaking in December 2004 seeking public com-

ment on how to appropriately implement the incentive program.

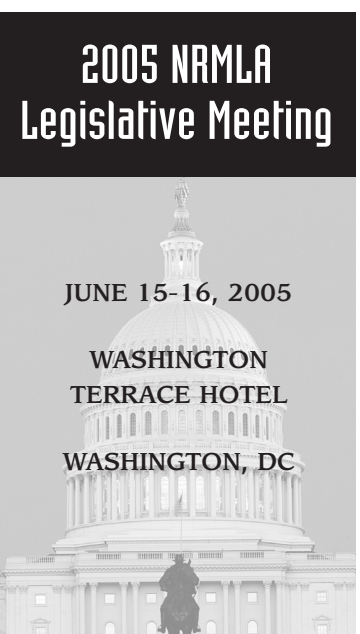
The general consensus of NRMLA, the LTCi industry and consumer groups is that the statutory language passed in 2000, although well-intentioned, is flawed and needs to be amended.

Our chief concern is the requirement under Sec. 201 that all of the funds from a reverse mortgage—minus any proceeds deducted to pay off existing liens or for mandatory home repairs—must be used to purchase a qualified long-term care insurance policy. We believe this is too restrictive.

It has always been our position that seniors should be allowed to take advantage of the MIP waiver if they utilize reverse mortgage proceeds for other health care expenses, including prescription drugs, home healthcare services or other uncovered medical expenses, or to make home modifications that will facilitate their ability to continue living in their homes as they age. NRMLA made this recommendation to Congress while Sec. 201 was under consideration and, while the provision’s primary sponsors accepted it, congressional leaders, in the end, rejected it.

NRMLA, and the other stakeholders with whom we collaborated, firmly believe this remains the correct policy to implement and recommend seeking these legislative changes to Sec. 201.

NRMLA submitted comments to HUD on February 1 suggesting the Department abandon any further efforts to implement Sec. 201 in its present form. We urged HUD instead to work with our organization, other interested parties and the Congress to create an incentive that would more appropriately assist senior homeowners in meeting their long-term health care needs. **RMA**



expenses to survive, like food and clothes, there was never anything left over to play with. We had no savings account for emergencies, no travel money, no luxuries.

A couple years ago I was sitting on my back porch, admiring the view of the neighbor's pasture land with gorgeous quarter horses roaming at dusk. The sunset was spectacular. I was absolutely awed. What a lucky person I am. I started to count my blessings—my house and car are paid for, I'm debt free, I have my health, two grown children on the West Coast and two beautiful grandchildren, and close friends that are there for me. But I started wondering, is this all there is?

REVERSE MORTGAGES: A SOLUTION

Suddenly it hit me while I sat here enjoying the sunset and gloating over my health and good fortune: my retired friends are traveling all over the world, going on cruises, getting manicures, pedicures, going to the big city for concerts, plays, ballgames, buying fancy clothes and jewelry, and eating out in fancy restaurants.

And here I sit living their lives vicariously. Maybe they handled their money more wisely than I did; maybe they have tremendous pensions; maybe they have annuities, stocks, bonds, you name it. Big Deal! We have none of that. But we do have a house that is paid for! I wasn't born yesterday. Isn't that called equity? And I am sitting on it while others are sitting on deck chairs in the Bahamas! Why not have my cake and eat it too?

Just about that time, I read about reverse mortgages in the local paper. "I want that," I cried. But how do I get one? Most people, including bankers here, either never heard of them or didn't want to hear about them. For a year I talked to bankers, anyone who would listen to find out about these reverse mortgages. Finally, someone referred me to a website to read a column written by someone at the *Dallas Morning News*. He said try W.R. Starkey Mortgage and gave me the email address of Clive Hambrook, their Reverse Mortgage Manager. Bingo.

Well, it worked! Not without some diligence on all our parts, getting an appraisal, a survey, a termite inspection, a credit report, a title report, and filling out lots of paperwork. Was it worth it? You bet.

Now I know what you are thinking—what about the grandchildren? What about their inheritance? First of all, we still have plenty of equity left even after the mortgage. Both my kids are thrilled that at last I have some money to "play" with, and now I can visit them. I can send them presents and money for special things if they need it. They are completely supportive and always have been. Don't they want me to enjoy the fruits of my labors? Their inheritance is me, now, not after I am gone.

So what was the first thing we did with the money? I bought a computer, started putting collectibles on Ebay and have increased our measly income by about half—and have had so much fun doing it.

TRAVEL PLANS

We immediately signed up for a Mahjong Cruise on the biggest cruise ship out of Miami, Navigator of the Seas (Royal Caribbean). The ship is 15 stories high, two football fields long, and has an ice rink. Then we went to California on a whim to attend a birthday party for an 80-year-old. Five days of nothing but fun.

As I write this, I am getting ready to go back to California to attend the wedding of my great niece. Another week of fun. I'm thinking of taking my two grandchildren on an Elderhostel vacation on the coast of Oregon next year (2005). I could have attended my high school's 53rd reunion, but opted not to because of the other trips I'm taking. In two years, on my 55th reunion, they are planning a cruise. Now, that's more like it!

And, oh yes, I've had a few manicures, a pedicure, and I attended my first Cal (UC Berkeley) football game since I graduated in 1955! We took some good friends out to dinner at a fancy restaurant this year, and we even treat ourselves to an occasional lunch or Starbucks coffee or a new book. I went to my first book signing and actually bought the book with the author's autograph. We still have three CDs that mature in the next few years and a special savings account just for emergencies. We have tickets to community concerts and we are able to make a small contribution to the local art museum each year.

I almost forgot—we just bought the lot next to us

client, but when I pass that file off to somebody in processing it's important that person interact with my client in the same careful and respectful way, so the message is received and understood."

- **Answering Your Phone.** When a receptionist answers the phone at Safeway Mortgage, he or she says: "We're having a great day at Safeway Mortgage."

"If you can't convince your clients that you're having a great day, how can you expect them to have a great day?" asked Pigg.

- **Get Rid of Your Job Title.** Neither Gruley nor Pigg use a title on their business cards. "I'm just plain old Dennis," said Pigg. Fancy titles do not mean much to your clients, in fact sometimes they can feel intimidated. "Seniors come from the old school where a handshake, and your word, is your bond," added Pigg.

- **Let the Client Know You'll Be Late.** If he gets caught in traffic on the way to a client's home, and he knows he may be as little as five minutes late, Pigg will call the customer. "I say 'please excuse me but I didn't budget quite enough time to travel to your house, I may be 10 to 15 minutes late, will that be an imposition for you?' When I get there, they often apologize to me for making me come out when traffic was bad."

- **Hold the Client's Hand.** While the reverse mortgage is being processed and underwritten, keep in contact with clients on a regular basis to reassure them that things are progressing as planned, especially if a problem arises. "When we send out a repair document, or any form that needs to be signed, we contact clients ahead of time to let them know it's coming," said Gruley. Seniors can take whatever is handed to them as long as you keep them in the loop. Let them know what's going on, even if it's a problem—as long as they know they have not been turned down or declined, they understand. When you go three to four weeks without letting them know what's going on, they imagine the

worst possible scenario, and can sometimes talk themselves out of pursuing the reverse mortgage.

- **Set Realistic Closing Deadlines.** Seniors have a lot of time on their hands. "If you tell clients that you will try to get their loan closed in three to four weeks, they will ask 'well, is it three or is it four weeks?'" said Gruley. They will start marking their calendars down to the very day you promise to call them with additional news. "On the first day of the fourth week, there will be a phone message awaiting upon your arrival at work, asking about the loan approval," said Gruley. "If you don't call them when you promise, they fear the worst, whether it's your company going out of business or a terrorist attack." Even if the closing is delayed for a couple days or even a week, most seniors are okay with that as long as you let them know ahead of time.
- **Don't Use Mortgage Lingo.** Seniors are easily confused if you use mortgage lingo. "They view that as being rude because you're talking over their heads," said Gruley. Even a simple word, like appraisal, can be confusing to some people. "We had a situation once where a termite inspection had to be done and the woman was very offended. She said I don't have bugs in my house," said Gruley. In that case, a staff person failed to inform the person that a termite inspector had to perform a routine inspection. Gruley explained to the client that a termite inspection is a normal HUD requirement.
- **Attend the Closing.** It is important you try to attend the loan closing, if possible. "The best time to get a referral from clients is when they are the happiest—and that is when the attorney tells them at closing that in three days time, the money will be in their account," said Pigg. If you can not attend the closing, have someone else the client has met or spoken with from your company attend in your place. It is reassuring to the client if they know someone, in case they have questions.

BONDING WITH YOUR CLIENTS.

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- **Survey Cards.** To get valuable feedback from a client, both Gruley and Pigg send little gifts—Gruley sends a tin of cookies, while Pigg sends a nice leather-bound Bible—with survey card attached. “My clients love the cookies and will sometimes ask if we can send them another tin, which we do,” said Gruley. “They appreciate the opportunity to express their opinions regarding how the transaction went.” **RMA**

(Editor's Note: To download the entire session on audio file, visit our web site at www.nrmlaonline.org.)

INDUSTRY NEWS.

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areas—increased to \$172,632, up from \$160,176. To verify the FHA mortgage limit in your area, go online to <https://entp.hud.gov/idapp/html/hicostlook.cfm>

REVERSE MORTGAGE VOLUME UP

Through the first quarter of fiscal year 2005, reverse mortgage volume is up 32 percent, according to data supplied by the U.S. Department of Housing and Urban Development.

Between October 1 and December 31, HUD endorsed 9,436 Home Equity Conversion Mortgages (HECMs), compared to 7,128 a year ago. To view the latest HECM Activity Report from HUD, visit our web site at www.nrmlaonline.org. **RMA**

BORROWER PROFILE.

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to protect our peace and tranquility.

None of the above would have been possible without W.R. Starkey Mortgage and our reverse mortgage. Now our dreams can become a reality. I still sit out back and watch the horses at sunset, listen to the birds and crickets and cicadas, watch the herons as they swoop down on the pond. Is this all there is? Yes, and a whole lot more! **RMA**

Study Shows Reverse Mortgages Can Help Seniors Pay for Long Term Care at Home

The National Council on the Aging (NCOA) published a report 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.

Of the 13.2 million eligible households, an estimated 9.8 million currently have an impairment that can make it hard to live at home, according to the study, titled *Use Your Home to Stay at Home: Expanding the Use of Reverse Mortgages to Pay for Long Term Care*.

In total, these households could access as much as \$695 billion through reverse mortgages. For individuals, the extra cash could go a long way to help with family caregiving and other long-term care expenses.

For example, a borrower aged 75 years old with

NCOA STUDY, *continued on page 12*

TEXAS UPDATE.

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Governor for signing but are filed directly with the Secretary of State.

The Texas Reverse Mortgage Lenders Association (TRMLA), headed by Executive Director Scott Norman, received a key public endorsement from the Texas Association of Realtors (TAR). TAR is one of the most powerful lobbies in the state, and until recently opposed a line of credit feature for the reverse mortgage program. Other organizations that have endorsed TRMLA's Constitutional Amendment include Independent Bankers Association of Texas, Fannie Mae, Texas Mortgage Bankers Association, Texas Bankers Association, and NRMLA. **RMA**

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a home worth \$100,000 could receive a reverse mortgage that could pay a family caregiver \$500 a month for almost 12 years, \$1,120 a month in adult day care services for almost five years, or \$2,160 a month in home care—daily care for at least four hours—for 2.5 years.

“The study shows that reverse mortgages have significant potential to help many seniors pay for help at home or to make home modifications. It also points to the need for strong consumer safeguards and lower transaction costs if these loans are to appeal to the millions of older Americans who could potentially benefit,” said NCOA president and CEO James Firman.

NRMLA acted as an advisor to NCOA. The publication of the report is the first of a multi-phased project focused on educating policymakers, the healthcare industry, the aging community, and others about the potential use of reverse mortgages to help reform America’s long-term care financing policies.

The report, funded by the Centers for Medicare and Medicaid Services and the Robert Wood Johnson Foundation, also shows how reverse mortgages can lessen financial pressure not only on individuals and families, but also on state Medicaid programs and the federal government.

NCOA projected annual Medicaid cost savings of \$3.34 billion nationwide by 2010 assuming four percent of America’s eligible seniors used a reverse mortgage to pay for healthcare services, or if one in four used a reverse mortgage, \$4.86 billion would be saved.

“Many seniors and their families can benefit from effective ways to pay for the long term care services they need, in the setting they prefer,” said Dr. Mark McClellan, administrator of the Centers for Medicare & Medicaid Services. “NCOA’s report shows that reverse mortgages can provide real help in financing long term care needs.”

However, there are several obstacles to their growth for this purpose. For example, the NCOA study shows that while two-thirds (67 percent) of older homeowners today have heard of a reverse mortgage, only 9 percent indicate that they are likely to use this financing option to pay for assistance at home.

Many worry that they risk impoverishment, or won’t be able to leave a legacy to their children if they tap home equity. The cost of these loans, and current Medicaid policies on how reverse mortgages affect eligibility for long-term care benefits, also appear to be barriers.

“We need expanded public education, and additional work to explore how to reduce the cost of tapping home equity, to strengthen consumer protections, and promote innovation,” said Barbara Stucki, Ph.D., project manager for NCOA’s Use Your Home to Stay at Home project. “Overcoming these obstacles will mean that reverse mortgages can play an important role in helping many older Americans pay for the supportive services they need to continue to live at home safely and comfortably.” **RMA**

Briefs

NCOA to Help Educate Policymakers On Reverse Mortgages

NRMLA is forming a strategic partnership with the National Council on Aging (NCOA) to educate policymakers and the professional aging network on the potential use of reverse mortgages to pay for in-home services and to help address the nation’s long-term care needs. As part of the outreach campaign, NCOA will develop educational materials and host web-based seminars later this year. In addition, NCOA will work with NRMLA to educate state governors and policymakers about the important role that reverse mortgages can play to help reduce seniors’ dependence on healthcare programs like Medicaid.

NCOA has released a report titled *Use Your Home to Stay at Home: Expanding the Use of Reverse Mortgages for Long-Term Care*. The report suggests that reverse mortgages could add an important new element to the debate over how seniors pay for long-term care services. **RMA**