

The Most Challenging Deal: Strategies for Persuading a Bank to Accept a Short Payoff.



Helping Seniors Facing Foreclosure/Bankruptcy

Presented by

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Introduction

In many parts of the country, senior homeowners are facing foreclosure, but the amount they can get from a Reverse Mortgage is not enough to pay off the existing loan.

With the aging of the baby boomers and the increasing popularity of reverse mortgage products, we need to prepare ourselves to provide information on reverse mortgages and how they may be used to help avoid foreclosure and bankruptcy.

This program will give you helpful guidance and sample hardship documents, so you can do the same for your clients.

Reverse Mortgage Education

- Debunk the myth about who can benefit from a reverse mortgage.
- What effect does declining property values have?
- New strains are being placed on social security and other traditional sources of income that many seniors previously relied upon in retirement.
- Reverse mortgages must be positioned as a viable and even an essential financial planning tool to address loan defaults and pending foreclosure.

Initial Conversation With Your Client:

...Gain their trust by asking the right questions.

They are embarrassed and private about discussing their finances with family, friends and/or financial professionals.

... Help them to understand.

The terms of foreclosure and bankruptcy is something they have been taught to avoid like the plague.

... Clarify their misperceptions

They will not ask for help assuming that the foreclosure notices will stop and they will NEVER be foreclosed upon. Was predatory lending involved?

Determining if Predatory Lending Played a Part

Types of Questions to Ask

- Did anything unexpected occur at the closing?
- Were the borrowers age-appropriate for a reverse mortgage when they last refinanced?
- Were ALL their refinancing options explained clearly to them prior to closing on their existing loan?

It's An Arduous Process!!!

... Provide details to the homeowner as to what support documents will be needed to assert hardship (visit www.nrmlaonline.org for required support document checklist)

... Prepare the hardship letter (sample provided on www.nrmlaonline.org)

... Explain to your client what to expect and how to approach the negotiation

Step-by-step Approach to the Discounted Pay-off

- **Explain the counseling requirement** and provide them with a list of counseling agencies to receive their required counseling face-to-face or by telephone
- **Execute the HECM package** and submit it
- **Obtain conditional approval** for the Reverse Mortgage
- **Supply client with a letter on your letterhead** to be included in their hardship request package (sample provided)

Required Documentation

- FHA Appraisal (done within the last 3 months)
- Two (2) recent bank account statements
- Tax returns
- Conditional Reverse Mortgage Approval Document
- Reverse Mortgage Benefit Summary
- Recent Mortgage Statement



Obstacles and Challenges!

1. Getting to the right person ...

It is **time-consuming** and often **frustrating**.

2. A recent appraisal is required.

3. Your client and/or their trusted advisor must **call every day!**

Even if you are successful, there may still be additional closing & post-closing obstacles.

Third Party Sources

- Attorneys
- Title Companies
- The Court
- Loss Mitigation Departments

You may need to elicit the help of others...

How did we get to this impasse?

- Banking regulations were changed and loss mitigation guidelines were not.
- Recent television reports, newspaper articles and government studies indicate that the cost of a foreclosure may run the gamut from around thirty-five thousand to over seventy-five thousand depending upon the scenario.
- A mechanism must be created along with education and training so that loss mitigation/loan modification bank professionals are aware of a reverse mortgage discounted pay-off option and how it can benefit all parties involved.

Important Questions Must Be Asked

- Who wins when a senior is evicted from their home for non-payment?
- What is the human cost and how profound is the negative impact on our aging society?
- Isn't it a better choice to ask existing lien holders to think outside the box and consider a reverse mortgage discounted pay-off solution?

Conventional lenders and reverse mortgage lenders must create the guidelines and lending review protocol so that those who can be helped will be helped.

We must make sure that all parties are aware of ALL the options available to age in place with dignity and respect.