

National Reverse Mortgage Lenders Association

Public Affairs Fund

Proposal and Funding Mechanism

Description: A new fund created specifically and solely to finance a comprehensive national public affairs/ public relations and advocacy campaign to improve the image of reverse mortgages and the reverse mortgage industry in the eyes of the press, politicians and America's seniors.

Motivation: There is a pervasive feeling within our industry that both the reverse mortgage and the professionals who deal in it have been unfairly misrepresented. The negative portrayal of the product and of industry participants has impacted both business and morale. The fact that this is a well-thought through, creative and compassionate financial product that provides comfort and aid to seniors at a critical juncture has been drowned out by an ongoing barrage of criticism that too often is based on lack of understanding, misinformation or convenient clichés.

Over the past year, a destructive cycle has evolved: Dire warnings about the evils of reverse mortgages have come from Senator Claire McCaskill, Comptroller of the Currency John Dugan, HUD Inspector General Kenneth Donohue, and the National Consumer Law Center. Comments from all these people and groups have been the basis for largely negative stories in national publications such as Consumer Reports, Forbes and Parade as well as in local newspapers. These stories then become the justification for local legislators to warn seniors they must be protected and to propose laws and regulations to accomplish this.

Why has this occurred? Partially because the reverse mortgage is an unusually complex financial product that few people outside of the industry take the time to fully understand. Partially because the word *mortgage* has become tainted in the wake of the nation's financial crisis—which has motivated some people to inaccurately compare reverse mortgages with subprime loans. And partially because we as an industry have not always been careful enough in such areas of our business as advertising, cross selling and full and accurate disclosure.

Industry Response: In response to this situation, the Board of Directors of NRMLA proposes that we ban together as an industry and all contribute to a Public Affairs Fund to finance a comprehensive public relations, political advocacy and marketing campaign. The initiative's purpose is to inform the public, policy makers and the press about the virtues of reverse mortgages, the practice of responsible lending and the commitment of NRMLA and its members to help seniors make informed decisions that consider both the attributes and vulnerabilities of this product.

The primary message of the campaign is that when dealing with NRMLA members, seniors can *borrow with confidence*. The evidence of this is our members' commitment to our Code of Ethics and Professional Responsibility; our organized and aggressive response to ethics violations; the establishment of a vigorous program of training and experience to award Certified Reverse Mortgage Professional designation; our staff and members' ongoing collaboration with HUD, the FHA, the bank regulatory agencies, the state legislatures and all the major senior advocacy organizations to improve the reverse mortgage product, the methods by which it is sold and marketed and its financial stability; and, perhaps most significantly, the endorsement from those seniors who have benefited from reverse mortgages.

The plan is for the campaign to be composed of a national public relations effort to better inform the press created for us by a major outside firm with vast experience in image makeovers; an aggressive education effort for both federal and state government officials conducted by our Washington staff in concert with the public relations firm; and, if and when affordable, a marketing effort aimed directly at consumers that puts the industry out in front of the discussion instead of on the defensive.

Administration and Coordination: The NRMLA Public Affairs Fund budget will be approved and overseen by the Board of Directors and administered by President Peter Bell and staff. The Public Affairs campaign will be coordinated by the NRMLA staff with the support of a newly formed Executive Advisory Board comprised of both NRMLA members who support the fund and those appointed by the Board's Executive committee. The Executive Advisory Board will meet via conference call and in person at certain NRMLA meetings and conferences on a timely basis to review the campaign and its ongoing results.

NRMLA will provide quarterly reports on revenues and expenses to the Board of Directors and Executive Advisory Board.

Proposed Budget: 2010-- \$1.5 million
2011-- \$1.5 million

Funding Mechanism: Funding will be in three stages.

Stage 1: NRMLA will initially contribute \$20,000 from the 2010 budget to retain the services of a Public Policy advocate to address immediate, time sensitive issues of concern.

Stage 2: Member companies will be asked to make contributions. Those that contribute \$25,000 (or per loan assessments totaling \$25,000) or more annually will be entitled to a seat on the Executive Advisory Board.

Stage 3: A \$15 assessment on each reverse mortgage loan, covering both wholesale and retail production. Wholesale lenders are being asked to remit on behalf of their brokers,

as well as for any retail business they do. Closed loan sellers are being asked to either remit directly to NRMLA or through any wholesalers they deliver to. Loan volume will be tracked for NRMLA by Reverse Mortgage Insight.

Timeline:

- Companies will have until March 26 to confirm participation.
- Vendor selection committee convenes in Washington, DC in mid-April.
- Assessments begin on March production. First payments due by April 15 for March production.

Term: Initially two years to be reviewed and evaluated by Board in April 2011. Year will begin April 1, 2010.