

National Reverse Mortgage Lenders Association

Western Regional Meeting

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Measuring the Impact of FHA's Collateral Risk Assessment Policies

Presenters:

- Elly Johnson, All Reverse Pro, Hiram, GA
- Britany Luth, Finance of America Reverse, Tulsa, OK
- Erik Richard, Class Valuation, Van Nuys, CA



Collateral Risk Assessment

- What do we know?
- Where do we go from here?



Collateral Risk Assessment

5 months of data from 5-7 lenders

Evaluated over 5700 loans

Tracking the following data:

- 2nd Appraisals
- Property Types- SF, 2-4, MH
- Location types-Rural, Urban, Suburban
- Loan Purpose- Traditional, H2H, H4P
- By State

Collateral Risk Assessment

How many loans required a 2nd appraisal?

<i>Date</i>	2nd Appraisal Required		<i>% Requiring</i>
	<i>No</i>	<i>Yes</i>	
Oct-18	519	142	21%
Nov-18	1,061	347	25%
Dec-18	930	347	27%
Jan-19	1,026	369	26%
Feb-19	722	255	26%
Total	4,258	1,460	26%

Collateral Risk Assessment

How different are the values when a 2nd is required?

DIFFERENCE	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Total
2nd<1st by more than 10%	16%	23%	22%	22%	26%	22%
2nd<1st by 5-10%	19%	14%	14%	12%	16%	14%
2nd<1st by 2-5%	16%	10%	8%	14%	5%	11%
2nd<1st by less than 2%	7%	10%	10%	7%	15%	9%
2nd = 1st	6%	5%	5%	5%	2%	5%
2nd>1st by less than 2%	10%	11%	10%	10%	13%	10%
2nd>1st by 2-5%	9%	10%	10%	11%	11%	10%
2nd>1st by 5-10%	8%	9%	9%	7%	10%	8%
2nd>1st more than 10%	10%	8%	11%	11%	2%	10%
Total	100%	100%	100%	100%	100%	100%



Collateral Risk Assessment

2nd Appraisal Stats

- ❑ 56% of the cases that required a second appraisal had a lower value for the second valuation
- ❑ 22% of the cases the 2nd valuation was more than 10% lower than the first
- ❑ 14% the valuation was 5-10% lower than the first
- ❑ **On average**, the second appraisals were 2.6% lower than the first appraisals
- ❑ 10% of the loans had a 2nd valuation that came in **more** than 10% higher than the first
- ❑ 5% of the loans the second valuation was equal to the first valuation

Collateral Risk Assessment

Property Type

Month	2-4 Fam	Condo	MH	PUD	SFR
Oct-18	1.5%	2.4%	2.0%	2.1%	92.0%
Nov-18	1.3%	2.1%	1.7%	3.3%	91.4%
Dec-18	1.3%	1.3%	2.9%	2.2%	92.3%
Jan-19	1.7%	2.2%	2.2%	2.4%	91.4%
Feb-19	1.2%	1.1%	2.9%	2.3%	92.4%
Total	1.4%	1.8%	2.3%	2.5%	91.9%



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Property Type Stats

- ❑ 92% of the 5700 +/- loans are for single-family residences
- ❑ 1.4% of the population is 2-4 unit property types and of that number, 83% required 2nd valuation
- ❑ 2.3% of the population is a MH, with 58% requiring a 2nd valuation

Collateral Risk Assessment

Location Type

Month	Rural	Suburban	Urban	N/A
Oct-18	8.2%	66.9%	9.8%	15.1%
Nov-18	11.6%	67.3%	7.9%	13.1%
Dec-18	15.8%	63.6%	9.0%	11.6%
Jan-19	15.3%	63.7%	10.1%	11.0%
Feb-19	15.6%	66.2%	9.5%	8.7%
Total	13.7%	65.3%	9.2%	11.7%



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Location Type Stats

- Almost 2/3 of the cases are in suburban locations
- 14% of the cases were rural and 45% required a 2nd valuation
- NOTE: 11.7% of the population was not identified

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Loan Purpose/Product Type

Month	Refi	Purchase	Traditional
Oct-18	15.7%	4.2%	79.6%
Nov-18	13.1%	3.8%	82.0%
Dec-18	11.0%	2.1%	86.8%
Jan-19	10.8%	1.4%	87.8%
Feb-19	8.7%	1.6%	89.7%
Total	11.6%	2.5%	85.5%



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Loan Purpose Stats

- 86% of the cases were traditional HECMS with 25% of those requiring a second valuation
- While only 3% of the population are (H4P) purchase, 36% of those required a second valuation



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State Stats

- ❑ The biggest states (with respect to the number of cases)
 - CA 18% (722)
 - FL 29% (529)
 - TX 26% (515)
- ❑ The states with the highest proportion of loans requiring a second appraisal:
 - KY (55%)
 - KS (55%)
 - LA (44%)

Note: ND was at 50%, but there were only 2 loans in the overall population



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