January-February 2020
Volume 13, No. 1

Reverse Mortgage

The official magazine of the National Reverse Mortgage Lenders Association

Bursting Onto the Scene

The search for new products is nationwide as lenders seek alternatives to HECMs

NRMLA

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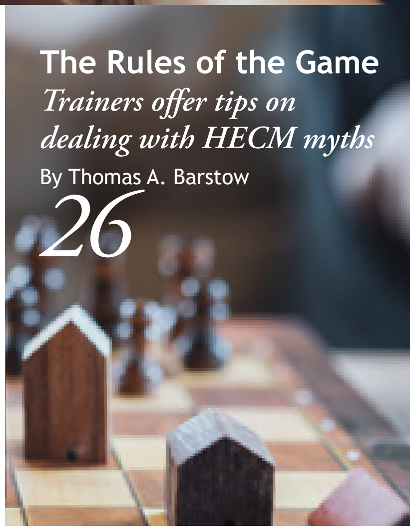

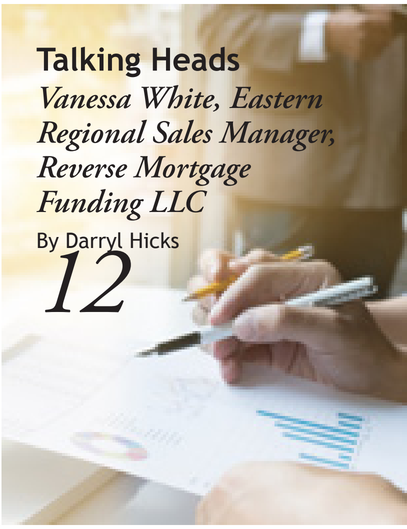

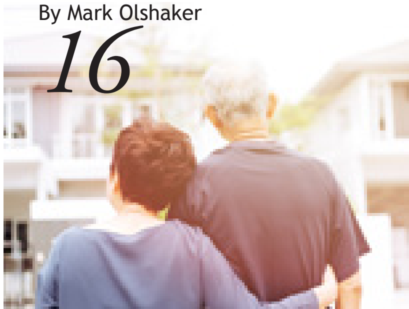

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Meet This Month's Contributors

Thomas A. Barstow (*In Reverse*, p. 3, and *The Rules of the Game*, p. 26) is the senior editor for *Reverse Mortgage* magazine. He is a licensed loan originator (NMLS # 1590611) for Virginia-based City Lending Inc. and has had a 34-year career in journalism that has included being a reporter, writer and editor in Maryland, North Carolina, Pennsylvania and New York. He currently teaches journalism at Gettysburg College and writes for various business publications. He is a former president of the Pennsylvania Society of News Editors and a former president of the Associated Press Media Editors in Pennsylvania.

Joel Berg (*Bursting Onto the Scene*, p. 18, and *A Rebound Afoot*, p. 29) has been a B2B reporter and editor for more than 20 years, both in-house and freelance, covering finance, healthcare, environmental regulation and general business news for local, regional and national publications. Most recently, he was editor of *Central Penn Business Journal* and *Lehigh Valley Business* in Pennsylvania. He also has taught writing and communications at York College, Millersville University, Gettysburg College and Harrisburg University.

Darryl Hicks (*Talking Heads*, p. 12) is vice president, communications for NRMLA where he writes the *Weekly Report* and administers the CRMP program. He roots for the Steelers and the Phillies and reads mysteries as he rides the Metro to work each morning.

Jamie Hopkins, Esq., LLM, MBA, CFP®, RICP® (*Retirement Prep*, p. 6) is director of retirement research at Carson Wealth Management and a finance professor of practice at Creighton University's Heider College of Business. He is author of *Rewirement: Rewiring The Way You Think About Retirement.*

Mark Olshaker (*CRMP: Across the Kitchen Table*, p. 16, *Counseling: Integral to Getting Deals Done*, p. 22, and *Borrower Chronicles*, p. 32) is a best-selling author of fiction and non-fiction and an accomplished researcher in the areas of crime and medicine, as well as a documentary film writer and producer. Olshaker has written 16 books, including *Law & Disorder,* with former FBI Agent John Douglas, and *Deadliest Enemy: Our War Against Killer Germs,* with Dr. Michael Osterholm. His latest book with Douglas, *The Killer Across the Table,* was published by Harper Collins in 2019. Their book, *Mindhunter,* is the basis for the current Netflix series. RM

Proprietary Products Dominate

This Issue of Reverse Mortgage *Attempts to Get Behind Some Trends*

By Thomas A. Barstow

PREPARATIONS FOR THIS FIRST ISSUE in the new year began in the fall, as we were listening to the experts who were pointing to a future where proprietary reverse mortgages would continue to garner increasing market share.

Writer Joel Berg set out to get more details about these trends, and his efforts begin on p. 18 with the cover story for this issue. Those in the know discuss how and why proprietary reverse mortgages will continue taking off, as the traditional HECM market slowly rebounds.

Michael McCully, a partner with Naples, FL-based New View Advisors, told Berg that the next year to 18 months could see proprietary products making up more than 50 percent of the reverse-lending market.

"This is what should be happening, and I think HUD welcomes it. The market seems to be embracing it, too, and the culture of the industry is going to be staked to moving away from the HUD program," McCully says. "The proprietary product is competitive not in every scenario but in many scenarios. That's all positive news for the growth of the non-agency market."

Similar sentiment dominated a lot of the discussions at NRMLA's 2019 Annual Meeting in Nashville, where FHA officials indicated support for the growing proprietary market and loan officers and managers talked about the best paths forward.

Support for products that veer from the traditional HECM program remains strong, especially as new features continually are added and more states clear the way for the products, Berg reports.

"That is an area where I suspect there will be continued improvement, as people look at how to make their offerings different," John Button, president and CEO of ReverseVision, tells Berg.

Eric Ellsworth, consumer direct sales channel leader for Reverse Mortgage Funding, noted that the newer products will have far greater appeal in some markets. "We want to be able to help more people and make the product more accessible to the masses," Ellsworth tells Berg.

Proprietary products come up in nearly every article in this edition. *Reverse Mortgage* Associate Editor Darryl Hicks discusses the topic with Vanessa White, eastern regional sales manager, Reverse Mortgage Funding, in a question-and-answer profile that begins on p. 12.

Hicks asks White how proprietary reverse mortgages have changed the marketplace. "I see proprietary reverse mortgages as an enhancement," White answers. "With the changes to the HECM program, it's nice to have another option that can help more people."

We also have a story, which begins on p. 32, about one of the borrowers who has benefitted from a proprietary

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In Reverse continued from page 3

reverse mortgage. Mark Olshaker, a staff writer for *Reverse Mortgage*, tells us about Vince Scarich, 81, who has been able to stay in the house he has lived in for 47 years in California's Silicon Valley. More importantly, Olshaker tells us, the opportunity offered Vince more than just a place to continue to call home. "I can now go out to dinner when I want, buy what I want and give what I want," Scarich tells Olshaker. "The mindset, the mood and the space the reverse mortgage has given me is one where now I don't have to worry."

Through the year, we will examine some of the numerous topics that came up at the annual meeting—from technology issues to servicing trends to sales and marketing tips. In this issue, Olshaker writes about the issues facing counselors for both HECM and proprietary products, which was the topic of one of the well-attended seminars at NRMLA's 2019 Annual Meeting. The counselors point out that much of the process is similar, but the differences can be complex. In addition, sources tell Olshaker, the industry could face a serious problem this year, when new rules go into effect for counselors.

Jennifer Cosentini, of Cambridge Credit Counseling, warns that, starting in August, counselors must pass a test granting them HUD housing certification. She predicts that requirement might mean a lot fewer counselors but that those who remain will be dedicated. "You have to like what you do," she says.

As promised in the last issue, this edition starts the first of six closer looks at various regions nationwide. In an article that starts on p. 29, Berg talks to loan officers in the Mid-Atlantic. Each region shares similar issues as every other market nationwide, but we note some of the statistics that are unique to each state, while discussing what some observers see as trends in their markets.

For example, in Indiana and Ohio, one lender sees potential for HECMs for Purchase. "I really think that's where the future of the business is," Tom Hedderich, a senior vice president for Hallmark Home Mortgage LLC in Indianapolis, tells Berg.

The series will continue with the March/April issue of the magazine and run through the November/December issue. RM

Leading Change Must Inform Your Strategy

By Steve Irwin, President, NRMLA

"Walk on air against your better judgement…"
— Seamus Heaney, Irish poet

AS 2019 FADES into the rearview mirror, we will all get consumed with annual performance reviews and annual meeting post-mortems. We'll evaluate the headwinds that were adeptly navigated and the landmines we were able to avoid. We will ask ourselves if we met our goals, both individually and as an organization. Were those projects completed on time and on budget? Yes, we will become consumed with self-reflection and evaluation.


Steve Irwin

As we look back, however, we must not forget to also quickly turn our attention to what lies ahead. How nimble will we be when facing the industry changes that 2020 presents to all of us?

The seemingly never-ending whirlpool of change is by no means unique to the reverse mortgage ecosystem. Each and every business sector must face change and uncertainty. How an industry responds to such change and uncertainty, however, can determine how that industry survives in the long term.

There are always dangers with nostalgia and rigidity getting intertwined with the mindset of an industry. This inertia is a pervasive business problem and a possible explanation of why more than half of the companies that appeared on the 1980 Fortune 500 list *no longer* exist. Trying to continually circle the wagons and protecting what was great and inspiring in the past is not what will lead our industry forward and allow us to effectively serve the growing and changing needs of the senior population. Pivoting to, and falling back on, long-held approaches to all of our workflows will not move us forward.

"The seemingly never-ending whirlpool of change is by no means unique to the reverse mortgage ecosystem. Each and every business sector must face change and uncertainty."

The challenge facing us all at this moment is this: How do you lead the market rather than respond to it? One of former HUD Secretary Henry Cisneros's greatest management insights is that "steady-state management doesn't work anymore." Customers expect service firms to anticipate their needs and to deliver to those changing needs more than ever. Managing to the steady-state exposes you to the danger of becoming irrelevant as product offerings become more commoditized. Anticipation and leading change are what must inform your strategy. This is what will give you competitive advantage and improve your ability to attract the best and brightest talent, investors and, therefore, more customers. The opportunity to embrace change is presenting itself to us, again. We must collaborate, open chains of communication, try new approaches and be bold.

Now is the time to walk on air. RM

Retirement Prep

Is Your Client's Social Security Taxable?

By Jamie Hopkins, Director of Retirement Research, Carson Wealth Management

WE CAN SEPARATE RETIREMENT income planning into two sections: saving and spending. First, investors need to save and accumulate wealth over a long period of time in order to have the retirement assets they need to maintain a certain lifestyle.

Second, a retirement portfolio needs to provide a certain amount of income each year for an uncertain period of time. It's this uncertainty of how long someone will need a consistent retirement income that's one of the biggest challenges in helping clients plan for retirement.

Fixed-income products, like bonds and CDs, add diversification to a retirement income portfolio and help protect against a large market downturn. Fixed-income becomes even more important during retirement because fixed-income investments, like CDs, bonds and annuities, can help preserve, grow and distribute wealth. What they lack is the ability to provide a steady income for life.

The single most important fixed-income source that can provide income for life is Social Security. Social Security is the bedrock of the United States' retirement income system. For roughly one-third of all retirees, Social Security is almost all of their income. For two-thirds of retirees, Social Security represents more than 50 percent of their retirement income. Maximizing our clients' Social Security benefits will help enhance their retirement security.


Jamie Hopkins

The conversation about maximizing Social Security benefits is often about the best time to claim benefits. To understand how Social Security works and how we can help our clients maximize benefits, we need to understand the tax implications of Social Security benefits.

Social Security covers most working Americans and is funded through a payroll tax. Today, employers and employees each pay 6.2 percent of wages up to the taxable wage base of $132,900 ($137,700 in 2020). This is an underappreciated employer benefit as many employers pay more into Social Security each year than they do into any type of 401(k) plan or retirement account. If someone is self-employed, they pay both what an employer and an employee pays for a total of 12.4 percent. Ultimately, these earnings will help determine the benefit at full retirement age.

While many people are aware they pay into Social Security each year via a payroll tax, most people aren't aware that claimed Social Security benefits are subject to income taxes. Social Security benefits are taxable if someone earns over certain "provisional income" thresholds. Provisional income, also referred to as combined income, is his or her modified adjusted gross income (MAGI) plus tax exempt interest (like from municipal bonds) plus half of the Social Security benefits.

Once the provisional income is determined, the Social Security benefits could be subject to taxation based on certain income levels. Up to 50 percent of the Social Security benefits can be taxed at the current tax rate if the provisional income is between $25,000 and $34,000 for an individual and between $32,000 and $44,000 for a married-filing-jointly couple. If your clients can keep their provisional income below $25,000 as an individual or $34,000 as a couple, they can prevent all of their Social Security benefits from being taxed at the federal income tax level.

However, for individuals who have more than $34,000 provisional income or married-filing-jointly couples who have more than $44,000 provisional income, up to 85 percent of their Social Security benefits can be subject to their current income tax rate. Worksheets are available on the IRS website to help calculate how much of Social Security benefits might be subject to federal income taxation. It's important to note that while most states don't tax Social Security benefits, a handful of states do.

How can you help your clients manage their provisional income in retirement? Come up with ways they can generate cash flow and retirement income that's not taxable or included in MAGI. For example, Roth IRA distributions can come out income-tax free, as can Health Savings Account distributions, reverse mortgage loan proceeds and cash value in certain life insurance policies. These non-taxable distributions can also help improve cash flow and keep provisional income down—the latter of which will allow them to keep more of their Social Security benefits as they might be subject to lower tax rates or might not be subject to taxes at all.

Social Security provides a floor of income and the likelihood of creating a financially stable retirement. Make sure you and your clients understand the ins and outs of Social Security, especially how benefits are taxed. Creating a secure retirement income plan for your clients starts with planning and an understanding of how challenging it is to create a sustainable source of income that they won't outlive. RM

The Biz

EVERYTHING NEW YOU NEED TO KNOW

People are talking about ...

HECM Staff Members Discuss Priorities in 2020

At NRMLA's 2019 Annual Meeting held Nov. 18-20 in Nashville, FHA's key HECM staff—including senior policy adviser Joshua Miller, PhD; Erica Jessup, acting director of the Home Valuation Policy Division in the Office of Single Family Housing; and Kasey Watson, program director, servicing branch, National Servicing Center—shared HECM program performance statistics and policy priorities for 2020 that included the following:

- Working with NRMLA and other stakeholders to find a replacement for the LIBOR Index;
- Adding a HECM section to the Single-Family Handbook 4000.1;
- Expanding capacity for HECM default counseling;
- Offering more training opportunities for Mortgagees when policy changes occur;
- Implementing system updates to further automate FHA processes; and
- Enforcing new housing counseling rules. Beginning on Aug.1, 2020, all HUD-approved HECM counselors must meet new counselor certification requirements, which includes passing the certification examination and working for a participating agency.

Steve Irwin Takes Over as NRMLA President

During NRMLA's annual business meeting, the membership elected a new Board of Directors for the 2020 term that included:

- Harlan Accola, CRMP, Fairway Independent Mortgage Corp.;
- John Button, ReverseVision;
- Terry Connealy, Mutual of Omaha Bank;
- Jim Cory, CRMP, Open Mortgage LLC;
- Laura Cullen, Longbridge Financial LLC;
- Joe DeMarkey, Reverse Mortgage Funding LLC;
- George Downey, CRMP, Harbor Mortgage Solutions, Inc.;
- Leslie Flynne, Reverse Mortgage Solutions, Inc.;
- Kevin Gherardi, Reverse Technology Group;
- Scott Harmes, CRMP, C2 Financial Corp.;
- Tim Isgro, Reverse Mortgage Funding LLC;
- Reza Jahangiri, American Advisors Group;
- Elly Johnson, All Reverse Pro;
- Jay Jones, Champion Mortgage/Mr. Cooper;
- Michael Kent, Liberty Home Equity Solutions, Inc.;
- Rick Lieber, American Advisors Group;
- Christopher Mayer, Longbridge Financial LLC;
- Michael McCully, New View Advisors;
- Jason McNamara, Celink;
- Scott Norman, Finance of America Reverse LLC;
- Kristen Sieffert, Finance of America Reverse LLC;
- Robert Sivori, Celink; and
- Patty Wills, CRMP, Open Mortgage LLC.

Peter Bell, NRMLA's CEO and then-president, also announced that he was relinquishing his role of president and formally handing over day-to-day management of NRMLA to Irwin.

FHA Actuarial Report: Economic Value of HECM Improves By $7.7 Billion

The financial health of the Home Equity Conversion Mortgage (HECM) portfolio improved dramatically over the past federal fiscal year, ending FY 2019 with a negative stand-alone capital ratio of -9.22 percent compared to -18.83 percent in FY 2018, according to the Federal Housing Administration's 2019 Annual Report to Congress.

Put another way, the economic net worth of the portfolio improved by $7.71 billion.

"Though still negative, HECM [Mutual Mortgage Insurance] capital (formerly referred to as economic net worth) improved by $7.71 billion, moving from negative $13.63 billion at the end of FY 2018 to negative

$5.92 billion at the end of this past fiscal year," FHA Commissioner Brian Montgomery remarked in the annual report. "This clearly shows the progress we have made toward stabilizing the HECM portfolio's financial drain on the MMI Fund."

Montgomery made similar remarks Nov. 18 as the keynote speaker during NRMLA's 2019 Annual Meeting in Nashville. Montgomery said he looks forward to working with NRMLA and the reverse mortgage industry to address these issues and reiterated his support for HECM as a valuable program to help seniors age in place.

Factoring in FHA's forward mortgage portfolio, the MMI Fund Capital Ratio was 4.84 percent, the highest level since 2007 when it reached seven percent, and the fifth consecutive year this ratio exceeded the statutory minimum of two percent.

Montgomery attributed the improved economic strength of the MMI Fund and HECM portfolio to the health of the economy and housing market, as well as HECM policy changes made in 2018 and 2019.

Academics Offer Solutions for Improving Reverse Mortgage Appeal

The Brookings Institution, in partnership with the Kellogg School of Management at Northwestern University, hosted a public forum in Washington, DC, on Oct. 28 that featured two prominent reverse mortgage researchers who shared new ideas for making reverse mortgages more appealing to consumers and less risky for the federal government.

Headlined as "Reverse Mortgages: Promise, Problems and Proposals for a Better Market," the event was the third of its kind organized this year by Brookings and the Kellogg School to raise awareness about retirement security issues.

Stephanie Moulton of The Ohio State University and Thomas Davidoff of the University of British Columbia presented two white papers that offered solutions for making reverse mortgages more appealing, while addressing crossover risk and losses to the Federal Housing Administration.

Moulton, whose paper was co-authored by Ohio State economics professor Donald Haurin, proposed two new product options: a small-dollar reverse mortgage for people who need access to short-term liquidity; and a streamlined forward-to-reverse mortgage that targets homeowners who still have mortgages and could benefit from eliminating their monthly mortgage payments. She also described how risk-based underwriting and preventative servicing can reduce the probability of tax and insurance defaults and crossover risk.

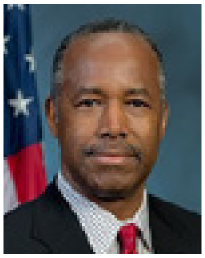
The second white paper by Davidoff theorized that reverse mortgages can be made more attractive to borrowers and lenders by increasing loan amounts at origination to purchase a life annuity. The annuity, says Davidoff, can be used to pay down principal and interest on the loan while borrowers remain in their homes. This can serve to transfer loan balances from long after origination—when the home is likely to be worth less than the outstanding balance—to earlier dates when the home is more likely to be worth more than the borrowers owe.

Following their presentations, Northwestern University's Benjamin Harris moderated a discussion with Moulton and Davidoff, along with Columbia University Professor and Longbridge Financial CEO Chris Mayer and Laurie Goodman of the Urban Institute, to discuss these ideas. A video of the proceedings can be found at *brookings.edu.*

Housing Secretary Promotes Reforms to Improve HECM Solvency

Testifying before the House Committee on Financial Services on Oct. 22, HUD Secretary Dr. Ben Carson said financial volatility within the HECM program remains a constant challenge, but his agency has proposed several key reforms to "ensure the product remains a viable option for America's seniors who desire to 'age in place.'"

Carson appeared alongside Secretary of the Treasury Steven Mnuchin and Federal Housing Finance Agency Director Dr. Mark Calabria. Much of the three-and-a-half-hour hearing focused on President Donald Trump's administration's plan to end the conservatorship of Fannie Mae and Freddie Mac and Democrats' assertions that the reform plan would drive up costs for consumers.



Dr. Ben Carson

Reverse mortgages were not explicitly discussed, but Secretary Carson noted in his written testimony that the performance of the HECM program remains a key concern "despite changes to the program's principal limit factors and insurance premiums in 2017, and the implementation of an appraisal inflation risk mitigation policy in 2018,

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both of which have been directionally positive on the program's fiscal solvency."

Under the administration's Housing Reform Plan, HUD recommends Congress enact legislation to replace the current HECM national loan limit with regional lending limits; establish a separate HECM capital reserve ratio and remove HECMs as obligations to the Mutual Mortgage Insurance Fund; and eliminate HECM-to-HECM refinances.

The press is talking about ...

Four Ways to Pay for Your Parents' Long-Term Care

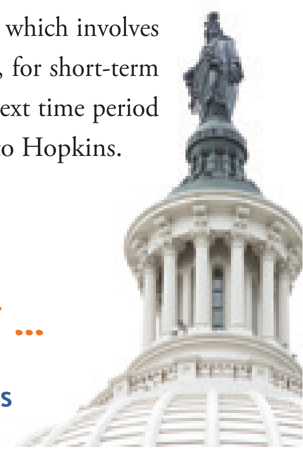
Catherine Brock, contributor at financial advice website The Motley Fool, explains how life insurance, tax deductions, reverse mortgages or a home equity line of credit can help pay for aging parents long-term care needs. "Any equity your parents have in their home may also be a source of cash—and they won't have to move," says Brock. "A reverse mortgage is a loan against the home's value that is repaid when the homeowner passes."

Reverse mortgages are heavily regulated, adds Brock, and there are rules in place to protect seniors. "For example, the bank cannot force a senior to leave the home or try to collect more than the home's value. If both of your parents sign on the loan, repayment is delayed until they both pass or move away."

Four Ways to Manage Sequence of Returns Risk

To minimize sequence of returns risk—the danger that the timing of withdrawals from a retirement account will have a negative impact on the overall rate of return available to investors—retirement expert Jamie Hopkins recommended four strategies to help retirees, one of which involves tapping home equity. "Tapping into home equity through a line of credit or reverse mortgages during a market downturn can help provide needed cash flow to meet spending needs in retirement in lieu of selling investments during a down year," says Hopkins in an article for *Forbes.com.*

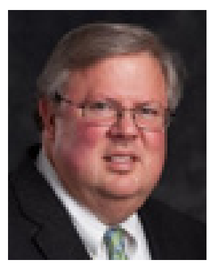
Other options include lowering annual withdraw rates, creating a "bond ladder" where an individual takes money out of an investment portfolio and purchases bonds that mature over a set number of years, and "bucketing," which involves "reserving more conservative assets, like cash, for short-term needs, mixed investment portfolios for the next time period and equities for the long term," according to Hopkins.



In Washington, they're talking about ...

President Nominates Montgomery As Next Deputy HUD Secretary

President Trump nominated current Assistant Secretary of Housing/FHA Commissioner Brian Montgomery to be the next Deputy Secretary of the U.S. Department of Housing and Urban Development. The Senate Banking Committee held a confirmation hearing on Nov. 20 and then approved the nomination by a 20–4 vote on Dec. 10. His confirmation now goes to the full Senate for a separate vote.



Brian Montgomery

Commissioner Montgomery currently performs duties of the Deputy Secretary of the Department while also serving as FHA Commissioner. If confirmed by the Senate, Montgomery would be the second most senior official at HUD, managing the day-to-day operations of the agency and advising and assisting the Secretary in leading the Department's nearly 8,000 employees.

"NRMLA congratulates Commissioner Montgomery on his nomination to be Deputy Secretary," said Steve Irwin, president of NRMLA.

HUD, DOJ Sign False Claims Act Memorandum

HUD Secretary Dr. Ben Carson and U.S. Attorney General William Barr issued a Memorandum of Understanding (MOU) between the two agencies that establishes new guidance on the appropriate use of the False Claims Act (FCA) for violations committed by FHA mortgagees.

According to a HUD press release, the MOU is intended to address concerns that uncertain and unanticipated FCA liability for regulatory defects led many banks and credit unions to stop originating FHA loans. Today, depository institutions originate less than 14 percent of FHA-insured mortgages, down significantly from approximately 45 percent in 2010.

In addition to the MOU, FHA is simplifying the certifications that lenders make in connection with the FHA program. The certifications will better track statutory requirements and address materiality and culpability considerations. FHA is also refining its defect taxonomy that it uses to assess the appropriate remedies for identified loan underwriting defects.

Together, these new and revised components are intended to make FHA-insured mortgages more accessible to qualified borrowers, reduce risks within the FHA program and preserve appropriately tailored remedies.

CFPB Issues Final HMDA Rule

The Consumer Financial Protection Bureau (CFPB) issued a rule that extends for two years the current temporary threshold for collecting and reporting data about open-end lines of credit under the Home Mortgage Disclosure Act (HMDA). The rule also clarifies partial exemptions from certain HMDA requirements, which Congress added in the Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA).

For open-end lines of credit, the rule extends for another two years, until Jan. 1, 2022, the current temporary coverage threshold of 500 open-end lines of credit. For data collection years 2020 and 2021, financial institutions that originated fewer than 500 open-end lines of credit in either of the two preceding calendar years will not need to collect and report data with respect to open-end lines of credit.

For the partial exemptions under the EGRRCPA, the rule incorporates into Regulation C the clarifications from the Bureau's August 2018 interpretive and procedural rule. This final rule further effectuates the burden relief for smaller lenders provided by the EGRRCPA by addressing certain issues relating to the partial exemptions that the August 2018 rule did not address.

Recent Government Departures

Deputy Assistant Secretary for Single Family Housing Gisele Roget departed from HUD Nov. 8 to take over as deputy chief of Staff and director of External Relations at the National Credit Union Administration.

Roget, a political appointee who joined HUD in July 2017, was directly responsible for managing the Home Equity Conversion Mortgage program.

Several weeks earlier, Ginnie Mae Acting President/Executive Vice President and Chief Operations Officer Maren Kasper announced her departure effective Oct. 18 to pursue an opportunity in the private sector. Kasper was named to the top leadership position at Ginnie Mae in January 2019.

In the interim, Seth D. Appleton, HUD assistant secretary for Policy Development and Research, will concurrently serve as principal executive vice president of Ginnie Mae. Appleton joined HUD in July 2017.

Additionally, Michael Drayne will assume the role of acting executive vice president of Ginnie Mae. A frequent speaker at NRMLA events on issues related to the HECM Mortgage-Backed Securities (HMBS) program, Drayne is currently senior vice president for Strategic Planning and Policy. Drayne joined Ginnie Mae in March 2011.

Congratulations, New CRMPs

NRMLA congratulates the following individuals for becoming Certified Reverse Mortgage Professionals (CRMPs):

- Eric Alon, Finance of America Reverse, San Diego, CA;
- Linda Carney, Finance of America Reverse, San Diego, CA;
- Robert Commerford, Finance of America Reverse, Lakeside, CA;
- Tim Pearce, Finance of America Reverse, Murrieta, CA;
- Jill Portilla, Finance of America Reverse, San Diego, CA; and
- Ernie Sambrano, Finance of America Reverse, San Diego, CA.

And now you're up to date.

LET US KNOW WHAT YOU'RE TALKING ABOUT. This forum is the place for readers to share their opinions with fellow colleagues about the direction of the reverse mortgage business and other retirement trends. Submissions should be limited to 100 words or less and submitted to Associate Editor Darryl Hicks, at *dhicks@dworbell.com*.

Vanessa White, Eastern Regional Sales Manager, Reverse Mortgage Funding LLC

By Darryl Hicks

EVERY SUCCESSFUL LENDER has a sales manager (or team of sales managers) who educates, motivates and supports a team of loan originators.

Vanessa White was a young operations manager in New Jersey overseeing three Bank of New York branches when she heard about a new Federal Housing Administration (FHA) pilot program, called the Home Equity Conversion Mortgage, that had been created to help senior homeowners.

White's mother thought the HECM might benefit a close family friend who owned her home free and clear but was living on less than $1,000 a month. White agreed to help her mother's friend obtain one.

That experience would shape White's professional career for the next 30 years and turn her into one of the reverse mortgage industry's top sales managers and originators.

Reverse Mortgage magazine sat down with White to talk about those early experiences and the guiding principles that she follows to this day as a sales manager and originator.

Reverse Mortgage: ***Take us back to 1989. How did your involvement with reverse mortgages begin at Bank of New York Mortgage?***

Vanessa White: BNY had a sister company in California that was chosen by FHA to participate in the reverse mortgage pilot program. The pilot started on the West Coast and expanded eastward. BNY viewed reverse mortgages as a new opportunity to meet Community Reinvestment Act (CRA) obligations and to help communities. I had a personal interest because I had a close family friend who needed a reverse mortgage. BNY wasn't doing them yet. Very few lenders offered reverse mortgages. In New Jersey, there were maybe two or three companies.

Vanessa White

I lived in northern New Jersey. I picked up my mother's friend, and we drove to the southern part of the state where the mortgage company was located. The loan officer handed my friend a stack of documents to sign, but she didn't explain anything. My friend had to come up with $500 for the appraisal, which was an extreme hardship.

Afterwards, I called BNY's sister company to get more information, so that I could provide more details to my friend. I wanted to make sure that, before BNY started offering reverse mortgages, we understood what we were talking about. Just because consumers need it and they have it, doesn't mean that they don't need to understand it, along with the implications.

RM: ***Were you originating forward mortgages at the time?***

VW: No, I was the operations manager for three Bank of New York offices; two of them were in New Jersey, and a third was a private banking office in New York City.

We had one loan officer who had expressed an interest in selling reverse mortgages. She had a strong work ethic. She took the applications, assembled all the paperwork and processed her own loans, and then submitted the files to HUD for the conditional commitment. We ran a credit report to make sure there were no liens on the property. It was straightforward.

The biggest issue that we had back then was the title, because reports occasionally showed mortgages on the property that should have been extinguished. Banks were merging or failing—the savings and loan crisis was going on—so records were not always accurate.

Our reverse mortgage clients were much older than what we were accustomed to, averaging anywhere from their mid-70s to early 80s. A lot of times they were getting a reverse mortgage for home health care. It required a more hands-on approach compared to the people we serve today.

RM: ***Did things ultimately work out for your friend?***

VW: Yes, but it took her nine months to close on the reverse mortgage. That's a long time for someone who's living on a fixed income to wait.

RM: ***When did you switch from operations to selling reverse mortgages?***

VW: My loan officer handled the loan file until it was submitted to HUD for a conditional commitment. I handled everything from then on. After the loan was approved, we'd both attend the closing. After she went on maternity leave, nobody else really knew the origination process but me. We had to figure out something, because the bank loved the product. So, I covered for her and started taking applications.

Then she decided that she wasn't coming back. I could not continue doing both jobs, because I was still operations manager. We had a few loan officers who expressed an interest in selling reverse mortgages. I trained them and managed them, while still doing my operations job. We did not think of reverse mortgages as a sales product. It was a product to help seniors. That's how we thought of it, until we realized that we could do more with it.

The maximum claim amount was around $152,362 and the closing costs were, a lot of times, more than what the person purchased their home for. It was difficult for

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Talking Heads continued from page 13

people to understand until we explained that their home was now worth $200,000. You had to compare apples to apples. It was a hard sell because of the closing costs, but they really needed the cash. I still believe that this is a needs-based product, and those needs are constantly evolving.

RM: ***Reverse mortgages were so new. How did you sell them?***
VW: I worked closely with the bank's community development officer, who had relationships with local non-profits and the departments of aging in New Jersey and New York. I worked with Fannie Mae's local partnership office. Back then, you could take people out of foreclosure with a reverse mortgage. We worked with Fannie Mae and the New York Mortgage Coalition to help people who had gotten themselves into predatory loans.

It took a village to sell this program. It wasn't just us. It was the local community groups. It was about education and making people who worked with seniors aware of reverse mortgages.

There weren't a lot of people doing reverse mortgages, but the fact that we were Bank of New York helped tremendously. I learned what seniors' biggest needs were. I stopped several foreclosures, sometimes when the sheriff was knocking on the person's door. It was a different animal back then. All you had to be was 62 and have equity in your home. Unfortunately, because the max claim amount was so low, there were people who lived in $300,000 homes whom we couldn't help because their mortgage balances were too high.

RM: ***How has your sales approach evolved over time or hasn't it?***
VW: The changes in 2017 led us to do more business-to-business (B2B). We're educating and working with elder law attorneys, builders and realtors. Our senior clientele is more educated. They already know about reverse mortgages. Some of them still think the bank owns the house, but they are aware of what it is. Television advertising changed this industry dramatically. The commercials with Robert Wagner opened this business up because they reached more people. Before then, it was all grassroots, which was slow and difficult but very personal.

RM: ***In addition to originating your own loans, you've been a successful sales manager. How do you assemble and manage a successful sales team? Are you mostly a hands-off manager who lets loan officers do whatever they want, or do you carefully monitor them?***
VW: I am not a micro-manager. I am there to support them and lift them up. I do occasionally go out into the field with them. Reverse mortgages can be difficult to close when you're working with needs-based borrowers. They require more effort. I am there to support, coach and motivate my loan officers. I share my experiences. I encourage them to interact with their peers. I do team calls. It's important for my team to know that I am there for them and to help them develop their territory.

RM: ***You said reverse mortgages are more difficult to close since 2017. Is that because of Financial Assessment or some other reason?***
VW: Sometimes the closing costs can be $25,000 to $30,000 depending on the state. If you're a senior living in a $500,000 home who's looking to pay off a $50,000 loan and have a line of credit, it becomes more challenging to rationalize getting a reverse mortgage even though they aren't paying those costs out of pocket. That customer has gone away. They are looking to do other things. The underwriting rules have tightened up and rightly so, because there needs to be more responsibility of why they're doing it. This makes their life better instead of just doing it because you can.

RM: ***What attributes do you look for in a new hire?***
VW: I look for a good work ethic. A potential candidate must be empathetic when the time calls for it. He or she must be well-organized and able to work independently. And the person must be accountable, not only to me but to themselves. If they have reverse mortgage experience, that's a plus, but being a forward loan officer is also a plus.

RM: ***At RMF, your sales territory stretches from Maine to Florida. What are the biggest challenges managing an area that large? Are the sales strategies that you use in New York, for example, different from Georgia and Virginia?***

VW: The needs of homeowners in North Carolina differ from people living in New Jersey. Recognize what's going on in the communities you serve. Understand the basic stress points. In New Jersey, it's high taxes. I know people who got a reverse mortgage and used the funds just to pay their property taxes.

When you visit someone's home, don't show up and throw up. Listen to people. People called you for a reason. Find out what that reason is. Tailor the reverse mortgage to meet that need. We're not trying to put a square peg in a round hole. We can modify and make the program what they need it to be.

RM: ***How have proprietary reverse mortgages, like RMF's Equity Elite®, changed the marketplace? Describe the typical Equity Elite® borrower.***

VW: I see proprietary reverse mortgages as an enhancement. With the changes to the HECM program, it's nice to have another option that can help more people. When I spoke earlier about the customer who's paying $30,000 in closing costs to pay off a $50,000 mortgage, proprietary products can fill that void.

Our typical Equity Elite® borrower is someone who has a mortgage that needs to be paid off. Once that's done, there's little need for additional money. They will take some money, but the primary motivation is to pay off the mortgage. I compare them to the old HECM Saver borrower who didn't need that much money and didn't want to pay all those closing costs. (FHA offered the HECM Saver from 2010 to 2013 as a low-cost reverse mortgage option for consumers.)

RM: ***Where do you see the reverse mortgage industry headed in 2020? In five years?***

VW: Proprietary reverse mortgages will take on a bigger role. I see them giving seniors, even those not living in million-dollar properties, the ability to take that Saver option I just mentioned. It gives them the opportunity to use a reverse mortgage without the high closing costs. In five years, I think reverse mortgages will be considered the same way that a Home Equity Line of Credit (HELOC) has been considered for seniors. This way we have something for everyone. RM

CRMP: Across the Kitchen Table

Securing a Client's Happiness

A Chat With Lance Canada, CRMP

By Mark Olshaker

"IT'S A NICE FEELING WHEN you can help someone reach a goal they didn't think they could achieve—to give them pride in solving their problem with their own assets. And because of that, they come away happy."

So states Lance Canada, a Certified Reverse Mortgage Professional (CRMP) who has been a mortgage industry professional for more than 20 years, the last 14 of which he has specialized in serving seniors with Home Equity Conversion Mortgages (HECMs) and other equity-release products. He is affiliated with Victorian Finance of Durham, NC, and achieved his CRMP certification in 2012. The North Carolina-based loan officer stresses client focus and education about the options: "Helping and assisting them in securing their happiness and the home that fits their needs."

Canada had been in the "home" business long before becoming a mortgage professional. He grew up in Poughkeepsie, NY, "a beautiful area near Vassar College and the 'other CIA,' the Culinary Institute of America, in Hyde Park," he says. "I owned and ran a small home business, doing sheetrock, taping and repairs, building and rehabbing in the Hudson Valley. It was hard work, and I maxed it out, but I ended up working with a lot of interesting people. I guess what got me out of the business was one time when a job called for oil-based paint. I realized I'd been sniffing this stuff for over 20 years, probably inhaling hazardous chemicals. So, I thought, it was probably time to make an exit."

Lance Canada

That exit took about four years because Canada worked almost exclusively on referrals and "people kept calling."

"I bounced around a little bit. I was a musician and started a small record company while I tried to figure out what to do. I had always loved the concept of sales, which all comes down to need and the ability to give it to [the customer] at a fair price," Canada says. "A friend suggested I come work for him at Household Finance in Kingston, NY. And once I learned about the business, I moved down to Holly Springs, NC, working for a wholesale mortgage company while selling long-term care insurance…I kept running into seniors who wanted long-term care insurance, but when they heard the prices, it stopped them in their tracks. But many of them owned their houses and so had a way of getting what they wanted without incurring more debt. That got me thinking about reverse mortgages."

Around 2003, at his own expense, Canada attended a NRMLA conference in Miami. "I met some of the 'old-timers,' like Jeff Taylor and Brien Brandenburg. I still wasn't sure, and then Brien hired me at Wells Fargo," he says.

Canada moved his wife, Elaine, and their three daughters to Holly Springs. He describes it as "a one-light country town, kind of like Andy and Opie's Mayberry. Even though the first year was tough, I adapt to new situations pretty well. Elaine was very supportive, and we wanted something more rural for our daughters. Elaine is also a real numbers person, so she got into the mortgage business herself, and she really took off. Now, everybody loves it down here."

They recently moved from Holly Springs to nearby Fuquay-Varina, where they built a house.

At Wells Fargo, Canada ended up becoming a sales manager and was able to teach his tried-and-true techniques to others. "The most important trait," he explains, "is the ability to ask good, probing questions. I would tell my team, 'When you go on an appointment, think of at least five good questions to begin with.' If you know how to ask questions, people will tell you what they're looking for and how you can help. And then you have to know whether you can help them or not. Let them lead the discussion rather than just trying to sell your product."

Being what he calls a "top professional" is a prime value to Canada, which is why he's so proud of his CRMP certification. "A lot of people might not even know what it is, but to those who do, it says that this person went the extra mile, and that opens doors," he adds.

Canada believes strongly that the CRMP certification demonstrates an individual's knowledge and competency in the field of reverse mortgage lending and helps to uphold high standards of ethical and professional practice in the industry.

Canada also has obtained other specialized training and certification. "When HECM for Purchase came around, I got my real estate license. I can now access people in all levels of the real estate business, get 'behind the curtain' and speak their language. I get continuing education, so I can fully learn their business and find ways to talk to them. This both helps you become a valuable resource to them and circumvents you wasting your own time."

He also obtained his Seniors Real Estate Specialist® (SRES) designation through the National Association of Realtors. The credential is specifically aimed at professionals who want to be able to meet the special needs of maturing Americans who are selling, buying, relocating or refinancing residential or investment properties. The SRES designation helps prepare real estate agents to approach mature clients with the best options and information for them to make life-changing decisions. "If you want to be a top professional, you have to be willing to put the time and energy into it," Canada says. "When I see initials after someone's name, to me that means they're looking to learn more and achieve more of an edge."

On the whole, Canada thinks the changes that HUD has instituted in the HECM program have been mostly positive. "The program is morphing into something it was not, and it's painful when you know it's not going to work for a particular client," he explains. "I think proprietary products will fill some of that void. I think proprietaries are a great idea, and I look forward to being able to use those products. But North Carolina has very specific rules about brokering them, some of which are challenging. I get referrals in South Carolina and Florida. I think the industry needs it, and that will be a way to go."

Canada is committed to Victorian Finance, a business started in 2003 by former chemical engineer E. H. "Sonny" Bringol Jr. Bringol employed the principals he learned as a technologist in having all functions work together, reverse engineering from the loan closing forward, and remaining adaptable to changing conditions. "I chose to work with Victorian Finance because of the family-like mindset of the people who work here," Canada says.

Canada has been through the ups and downs of the reverse mortgage industry and has heard from his fair share of naysayers. To them he responds: "Even though it needs retooling and we have to regroup ourselves from time to time, just hang in there. We'll get it straight. Ten thousand people a day are turning 65, so there is always going to be a need for this program and our product. This is what keeps me in business!" RM

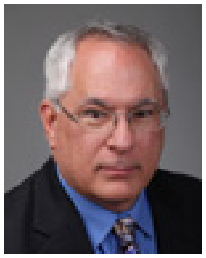
Bursting Onto the Scene

The Search for New Products Is Nationwide as Lenders Seek Alternatives to HECMs

By Joel Berg

LENDERS NATIONWIDE SEE a growing menu of proprietary products attracting borrowers, especially in areas with higher home values where traditional Home Equity Conversion Mortgages (HECMs) are less attractive. The products, many lenders say, could soon overtake government-backed HECMs in terms of market share, much as non-government-backed loans dominate the forward market.

Growth, however, is limited by the patchwork of state regulations—proprietary products are allowed in some states but not others. And while proprietary products have lower upfront costs than traditional HECMs, other features can be a turnoff, such as requirements that borrowers take a lump sum rather than a line of credit, lenders and industry observers say. (In late November, New Jersey-based Longbridge Financial introduced a product that offers an option for a line of credit.) Nonetheless, industry figures expect proprietary products to continue multiplying and their features to become more diverse and appealing.



John Button

"That is an area where I suspect there will be continued improvement...as people look at how to make their offerings different," says John Button, president and CEO of ReverseVision, a San Diego, CA-based provider of origination technology for the reverse mortgage industry.

Proprietary, or private, loan products have long existed alongside the government-backed HECM. But they have generally represented a small slice of the reverse market. In recent years, they have been seen primarily as a product for areas with high home values. Borrowers with substantial home equity can get more money from a proprietary product than they can from a HECM. Traditional HECMs were capped at $726,525 in 2019, but some proprietary products go up to $4 million. (The national HECM loan limit was raised to $765,600 in 2020.)

Growth also has been fed by lenders' needs for alternative products in the wake of the 2017 federal changes to standards for HECM borrowers, observers say. The changes have depressed HECM originations, which remain far off their pre-recession peaks. Nationally, HECM endorsements totaled 41,690 in 2018, down from a high of more than 115,000 in 2008, according to figures from *Reverse Mortgage Insight.*

It is unclear what the pace of growth has been for proprietary products, as lenders generally do not disclose their numbers. But because the loans are typically larger, Button adds, the growth in dollar volume has been exponential. The market may even have briefly eclipsed the traditional market in 2019 before lower interest rates pumped new life into HECMs in the latter half of the year. Still, Button says, his guess is that private loan products likely account for about a quarter of the dollar volume in the reverse market. "It is not a small player," he says.

Turning Point

For much of this decade, there have been fewer HECM borrowers overall. But most people generally could get what they needed out of a traditional HECM. That changed in 2017 when the federal government tightened standards for borrowers. The changes shut out many of the people who saw HECMs as a financial lifeline. Borrowers who remained eligible and interested, meanwhile, faced higher upfront costs.

While the changes sank the origination total for traditional HECMs, they opened the door for proprietary products, says Michael McCully, a partner with Naples, FL-based New View Advisors, which analyzes the reverse mortgage market. He notes proprietary products could make up more than half of the reverse lending market within 12 to 18 months.

"This is what should be happening, and I think HUD welcomes it. The market seems to be embracing it, too, and the culture of the industry is going to be staked to moving away from the HUD program," McCully says. "The proprietary product is competitive not in every scenario but in many scenarios. That's all positive news for the growth of the non-agency market."

More news could be on the way. Lawmakers and regulators have been pondering a proposal to replace the national lending limit on HECMs with regional caps tailored to local markets. That could lead to lower available HECM proceeds in many areas. Borrowers seeking more than the caps allow could end up turning to proprietary products, McCully and lenders say.

Lenders, meanwhile, are unlikely to see a dramatic turnaround in traditional HECMs, McCully says, noting that a stable housing market and historically low interest rates have done little to boost volume. "You can't really imagine a better lending environment, and while there has been steady improvement in HECM volume throughout 2019, here we are talking about 30,000 units for the fiscal year," he says, referring to the likely total of HECM endorsements for 2019. FHA endorsed 31,274 HECMs for FY 2019, which ended on Sept. 30.

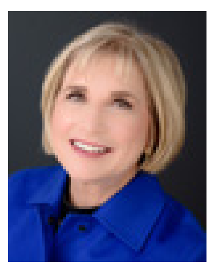
A Shift in Needs

Headwinds for traditional HECMs do not translate automatically into a tailwind for proprietary products. Private products still have trouble competing directly against government-backed products, says Peter Neuwirth, a retirement expert in Berkeley, CA, who has written about reverse mortgages. Proprietary products also tend to require borrowers to take out lump sums, while many borrowers prefer a line of credit instead.


Peter Neuwirth

Proprietary products, of course, could appeal to people locked out of the traditional HECM by tighter borrowing standards or to those with higher home values. But Neuwirth and others expect that Baby Boomers looking for fresh sources of retirement income still will look closely at the government-backed product, despite its limitations. They may appreciate its consumer protections, growing line of credit and government guarantee.

"The HECM is not perfect by any stretch of the imagination, but it's hard to beat in flexibility and appeal to all markets," says Shelley Giordano, founder of the Academy for Home Equity in Financial Planning at the University of Illinois and head of enterprise integration at Mutual of Omaha. She is based in Washington, DC.


Shelley Giordano

Others are more bullish. They cite proprietary products that already are addressing many borrowers' needs, including low upfront costs and flexible lines of credit. Some products also are extending beyond the jumbo borrowers with which proprietary products are most associated.

That is the case for Reverse Mortgage Funding LLC, which is among the companies seeing growth in its proprietary products. Proprietary products make up about 30 percent of the company's total reverse lending, says Eric

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Bursting continued from page 19

Ellsworth, consumer direct sales channel leader for Reverse Mortgage Funding, which is based in Bloomfield, NJ.

Ellsworth expects the proprietary share at his company to reach 50 percent over the next few years and for products to continue evolving. The company's portfolio includes a reverse loan it calls Equity Elite®, which is available to borrowers as young as 60 in some states, according to the company's website. Borrowers can take out as little as $50,000, Ellsworth says, making it something that is not just for jumbo borrowers. The company does business in 23 states, according to Ellsworth. "We want to be able to help more people and make the product more accessible to the masses," he says.

Eric Ellsworth

Plus, the company has seen healthy demand in its markets, Ellsworth adds. "I'm excited by where it's at, but I'm more excited by where it's headed. It seems like every day we're adding an additional state or changing a guideline that allows us to help more people."

"The proprietary product is competitive not in every scenario but in many scenarios. That's all positive news for the growth of the non-agency market."

—Michael McCully, New View Advisors

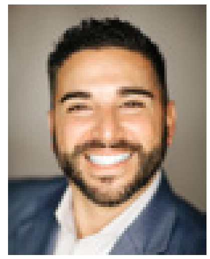
The state-by-state approach, however, can be challenging, he says. "Every state has their own individual requirements."

Condo owners are another group where proprietary products could make inroads, lenders and industry observers say. Condos long have been tough sells for traditional HECMs because of FHA requirements that entire developments be agency-approved, though some requirements were loosened in late 2019. Proprietary products do not carry the same restrictions.

One of the biggest condo markets in the U.S. is in New York, a state that in summer 2019 approved a proprietary product developed by Tulsa, OK-based Finance of America Reverse. The product, HomeSafe Standard, is the first proprietary product to win approval in New York since 2008 and the only one currently approved in the state. It allows borrowers to draw up to $4 million in equity.

"We see Manhattan condominiums as a tremendous opportunity," says Jonathan Scarpati, vice president of wholesale lending for Finance of America Reverse, which has been offering proprietary products since 2014.

Newcomers to the reverse lending market also see opportunity in proprietary products. One is Mid America Mortgage Inc., based in Addison, TX. Although many lenders have been giving up on the market, Mid America announced it was entering it in September 2019. There may be fewer HECMs, but there also are fewer lenders, says Jeff Bode, president of Mid America Mortgage. "Right now, it just seems like a market equilibrium."



Jonathan Scarpati

Jeff Bode

The company is most active in the Southeastern and Southwestern United States, and most of its borrowers are best served by traditional HECMs, Bode says.

But the company also offers proprietary products and sees their potential. "I'm very encouraged to know that there are going to be a whole lot more options in the future," says Dan Barksdale, director of HECM Lending for Mid America Mortgage.

Dan Barksdale

Mid America is working to make sure borrowers also know their options by also educating its brokers about the reverse lending process. The lender offers numerous niche products in the forward market and is familiar with what it takes to make brokers comfortable. "We are trying to bring a message back to the traditional mortgage market so that it can be viewed…just like any other product they may come across," Barksdale adds.

That kind of integration is the next step for the industry, says John Button, the executive from ReverseVision. "To date, the reverse industry has operated often as a separate industry, and that distinction is blurring," he says. "It's going away over time, and I think we'll see even more dramatic moves in that area in 2020." RM

Counseling: Integral to Getting Deals Done

Experts Review the Pitfalls and Offer Advice to Ensure a Smooth Process

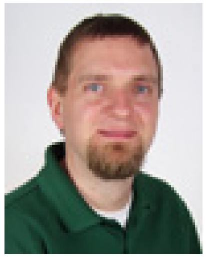
By Mark Olshaker

COUNSELING IS AN INTEGRAL PART of the reverse mortgage process, and with the proliferation of proprietary home equity release products, it has become even more complex and demanding, according to several experts who recently gave a presentation on counseling issues.

The most important aspect is to prepare borrowers for their sessions, either in person or by telephone, the three counselors said. And that means preparing the loan originators for what is needed.

"I would recommend better communication about products between lenders and counselors," says Justin Lally, reverse mortgage manager for Cambridge Credit Counseling in Agawam, MA. "Say, a website; I think that would be beneficial to everyone."

Lally was joined by his Cambridge colleague, Jennifer Cosentini, and Mohan Lalwani, program manager for West Palm Beach, FL-based ReverseMortgageHelper.org. Their panel was part of NRMLA's 2019 Annual Meeting in November in Nashville.



Justin Lally

Jennifer Cosentini

Mohan Lalwani

"NRMLA is doing a good job of keeping updates on its website, but I definitely agree," says Cosentini, Cambridge's housing director. "In addition to HECM, we're doing counseling for five other proprietary products. For the counselors, that's a lot. If we're doing five sessions a day, it could be about five different products. We have to be up to date. We need to understand the product. We need to know all the different features. We need to have the correct certificate to get all of this off to the lender when we're done. So, yeah, a little more proactive. If we had information about pending product changes, it would be really nice to get a preview beforehand."

Are there many differences between HECM counseling and that for proprietary reverse loans?

"A lot of it is very similar to HECM counseling as far as loan repayment," says Cosentini. "Counseling can be a little shorter (with proprietary) because we're not required to go through a budget. There's not the same amount of information to present."

The HUD-recommended rate for a counseling session is $125, though it can vary depending on the details and complexity of the transaction. The fee can always be financed and paid from the reverse mortgage proceeds. Counseling agencies will also waive their fee in specific hardship cases or cover the cost from grant proceeds provided by the Department of Housing and Urban Development.

And do the HECM protocols relate to the proprietary products as far as counseling?

"For the most part, yes," Cosentini responds. "We have the same guidelines, except we don't have to go over the FIT—the Financial Interview Tool. But we still do have to go over the borrowers' needs."

Lalwani confirmed the similarities. "It is 95 percent the same but easier because of components we don't have to worry about," says Lalwani. "Borrowers who own a high-value property—let's say $2.5 to $3 million—they just want to get off the phone in 25 to 30 minutes. They don't want to waste time on budgeting or anything connected to their personality."

Lally says more affluent borrowers understand things like rates and fees. "It's simple in that way," he adds. "They tend to just want to get it done, although I've never had anyone say, 'This was worthless.' They take something out of the counseling, which is always good."

Lalwani says that, with proprietary loans, the great majority of the borrowers have been educated by their loan officers. "With HECM, it's different," he says.

With either HECMs or proprietary reverse mortgages, borrowers who haven't yet decided between the two options, or who are hedging their bets in case they don't meet FHA's qualification requirements, counseling can become more complicated by an order of magnitude. "If the borrower changes his or her mind about what product to go with after counseling, that requires another session and different knowledge," Cosentini explains. "And we have to charge separately each time. We can provide both HECM and proprietary certification, but the loan officer should let us know in advance, because we would need multiple amortization rates and other information."

Lally says he has thought about the possibility of a universal counseling certificate, but he acknowledges that he does not know if that idea would be feasible. "That may [allow] even shorter follow-up sessions," he says.

Lalwani proposes a dedicated website from which such a certificate could be created, an idea supported by Cosentini. HECM certificates are easier to generate from a form, while proprietary products involve a time-consuming Word document that has to be created each time.

Counseling certification is valid for 180 days, but FHA may grant an extension if there is already a case

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number. For an issue, such as HECM for Purchase where a client has not yet found the house he or she wants, a recertification can be accomplished quickly and relatively inexpensively, on the order of $50.

Another issue that counselors face is ensuring that borrowers are best prepared for the counseling session. "All owners must participate in counseling," says Lally. "It is not helpful when a son or daughter who has been given some ownership in the property calls us a week later, and we have to say, 'If a borrower added children to the title of the house, then yes, even a nonborrowing owner or spouse has to go through the counseling.'"

Cosentini says the process can get tricky. "How do you even charge nonborrowers?" she says.

> *"You have to have faith in these products, even though you have to be completely impartial with these clients. So, there is a lot of education involved."*
>
> **—Jennifer Cosentini,** Cambridge Credit Counseling

Lally adds that couples sometimes decide after a session that one of them will be a non-borrowing spouse. "We can't just change the certificate," he says. "We have to have another conversation, which can cause a holdup."

Then there is the problem of making sure the borrowers have all the papers and documents as the session starts, so there is no confusion or wasted time.

Lally recommends that a loan officer call the day before, reaching out to remind the borrower which documents they have to have in front of them, such as the amortization schedule, loan comparison and TALC—or Total Annual Loan Cost—that is the reverse mortgage equivalent of the Annual Percentage Rate Truth in Lending disclosure.

Lalwani suggests that, from the entire loan package, those particular documents and pages that are needed for the counseling session should be highlighted. He also cautions that the loan package should be realistic in terms of what the borrower plans to do with the proceeds, observing that often the documents do not reflect that. And this issue is on the loan officer.

Lally agrees: "We see this on a fairly regular basis. So, if you're not doing your due diligence, please do so."

Also, says Lalwani, "If things like documents or numbers have to be updated before the counseling session because of, say, a change in interest rates, you should let the counselor know beforehand, even though HUD frowns on direct communication. It can effect principal limits and all kinds of factors."

And all three veteran counselors stressed that loan officers should convey any special circumstances before the counseling session. For a hearing-impaired client, for example, every agency should have the proper telephone facilities available. "I like to have a family member on who can convey the information to the client," says Lalwani. "We prefer to do it with Skype so we can also observe the body language. The same thing applies with language differences."

A standard part of the protocol is that counselors have to follow up with clients in 60 to 90 days, which is part of the required quarterly report to HUD. Only then can the client file be closed.

Currently, counselors have to pass a test every three years and participate in continuing education every two years. Beginning in August 2020, Cosentini points out, counselors must also pass a test granting them HUD housing certification, which is not an easy job. "So, at that point, you're going to see the number of counselors go down," she says.

For that and other reasons, she adds, perhaps the most important component of the counseling process is, "You have to like what you do," Cosetini says. "You have to have faith in these products, even though you have to be completely impartial with these clients. So, there is a lot of education involved. We try our hardest to keep up to date on everything because that's in the best interests of the client. But there's so much to learn, and if you're a counseling agency that's small and doesn't do many sessions, that could be a problem. There is so much to keep up with, you have to love what you do." RM

The Rules of the Game

Trainers Offer Tips on Dealing With HECM Myths

By Thomas A. Barstow

DAN HULTQUIST AND JIM MCMINN noticed over the years that the Home Equity Conversion Mortgage (HECM) industry had developed a lot of myths, some of which were counter-productive, if not misleading. So, they put together a training program to help industry professionals see some of their biases and to take steps to avoid issues in the future.

"We have got a lot of folklore. It has kind of been passed down from loan officer to loan officer or maybe your mentor to the loan officer," McMinn, lead sales trainer, learning and development for Finance of America Reverse, said during a seminar at the NRMLA 2019 Annual Meeting. "And we just take it as gospel."

The myths would be reiterated, often with emphatic language, such as "guaranteed" or "never," when there might be some loopholes or nuances that needed to be understood, McMinn said. "Think about what message we put out to our borrowers because there may be something in there that is not accurate."

McMinn and Hultquist, who is vice president of organizational development for Finance of America Reverse, emphasized that they were not offering legal advice and encouraged the audience members to review the tips with compliance officers at their companies. However, they also backed up their advice with various citations from the federal rules and regulations. "This is not a legal class. It is not a compliance class," Hultquist said. "It's meant to be cautionary and kind of get you thinking a little bit."

Jim McMinn

Dan Hultquist

Line of credit growth, for example, is one area that often isn't properly explained. The growth is not income, interest, earnings or a return on a borrower's home equity investment. Instead, the line of credit should be described as "a greater capacity to borrow more money in the future, regardless of home value," according to the PowerPoint that they provided.

McMinn then pointed to where that guidance comes from, which is HUD Handbook 7610 Chapter 4, Part 5(c): "Counselors must not tell clients that HECM credit

lines 'earn interest,' because credit line growth is simply increased access to borrowing power, comparable to an increase in a credit limit on a credit card."

If it were earning interest, it would be taxable, and it is not taxable, they pointed out.

In addition, Hultquist said, some borrowers struggle with the concept of how the line of credit continues to grow but then vanishes after they die. He offered an analogy that might help borrowers, as well as loan officers. Credit card companies might increase the credit limit for a borrower. However, if the borrower should die, the credit card company doesn't then max out the credit limit and "leave a stack of cash on your front porch."

"It is just pledged funds. It is credit to the borrower," Hultquist said, adding that a borrower simply is increasing their borrowing capacity.

McMinn said the correct terminology is important so that the nuances are clear. It's critical to make sure that borrowers aren't told that HECM lines of credit are "guaranteed to grow." While that is one of the selling points, loan officers need to be careful because it does not grow under several circumstances, including the following:

1. The borrower draws funds;
2. The loan is not in good standing;
3. Repair set-aside estimates are too low;
4. During the initial disbursement limit in the first year;
5. If there are negative interest rates, which is rare but happens, as it has in Europe and Japan, Hultquist said;
6. If the Maximum Mortgage Amount is met, which is spelled out in the regulations, as well, Hultquist added.

Avoid 'Tax Free' Statements

Loan officers sometimes overstate the tax consequences, suggesting that the HECM offers "tax-free money," Hultquist said. Overstating that point has been known to cause problems, especially if the borrower takes the statement literally. For example, McMinn said, a number of taxes are involved in the transaction, such as property taxes, recording taxes and transfer taxes.

"The list goes on, so when we look at that and we are saying out there this is a tax-free loan, which portion of it actually is tax free?" McMinn said. The proceeds and the line of credit growth are tax free, he said. "To get the loan, there are taxes involved in that."

Florida, for example, has a Documentary Stamp Tax that is 35 cents per every $100, he also said. The bottom line is that the Consumer Financial Protection Bureau (CFPB) has determined that some consumers interpreted advertisements saying the proceeds were "tax free" meant they didn't have to pay property taxes, McMinn and Hultquist pointed out.

"These are the types of things we want you to think about," Hultquist said.

> *"We have got a lot of folklore. It has kind of been passed down from loan officer to loan officer or maybe your mentor to the loan officer. And we just take it as gospel."*
>
> **—Jim McMinn,** Finance of America Reverse

Knowing a Client's Needs

The discussions with clients should involve a clear understanding of what borrowers might want, even if a loan officer might not consider those ideas to be the best choices. While an adjustable rate HECM traditionally has offered a lot more money than a fixed rate, a borrower might want a fixed rate. Such borrowers are rate-risk sensitive and might want the comfort and security of having taxes and insurance taken care of through a voluntary Life Expectancy Set Aside (LESA), even though the initial draw might be lower. The best

Rules continued on page 28

Rules continued from page 27

thing to do is run the numbers and present all the options, McMinn said. “Ultimately, the decision is theirs,” McMinn added.

For now, the adjustable rate still offers the best deal, they said. Fixed-rate HECMS are only two percent or three percent of industry volume, Hultquist said. “People are getting a lot more money on the ARM,” he said. “But when that changes, can we actually sell this?…Sell the fixed rate, if that is what they want.”

Many loan officers also don’t adequately explain how a LESA works, which would be required if someone fails the financial assessment.

First off, McMinn said, “A LESA is not a negative thing.” It provides peace of mind to know that property charges will be taken care of, he added. Borrowers need to understand, though, that the LESA might run out, and they would be required to come up with the money later. Additionally, it is a set-aside and not an escrow account.

“We have to be really cautious with that,” McMinn said.

Non-borrowing Spouses

Confusion can surround the issues involving non-borrowing spouses after the death of the borrower. For all new loans, there is a 90-day requirement for a non-borrowing spouse to show ownership or a right to remain in the home after the borrower dies, Hultquist said. Non-borrowing spouses aren’t protected if the borrowing spouse leaves the home for a reason other than death, such as to live in a nursing home for 12 consecutive months.

“Take non-borrowing spouse training,” Hultquist advised, adding that it is imperative non-borrowing spouses understand the details before a loan is taken.

Understand Title Issues With Heirs

A lot of issues arise if everyone isn’t clear on what happens when a borrower dies and the heirs want to get the property. If the title isn’t sorted out carefully beforehand, the heirs might pay much more than they need to, they said.

For example, if an heir is added to the title before the death of a borrower, the heirs would be responsible for the full loan balance if they want to keep the home. However, if they wish to keep the home and they are not on the title before the death, they would pay the debt or 95 percent of the home value, whichever is less. That is what the requirement would be if the borrower wanted to pay off the loan.

Some people think that having the heirs on the title will be better, they said. But it really depends on what the heirs wish to do with the home. If the goal is to keep the home in the family, then adding those family members to the title before the death of the last borrower could be problematic. RM

A Rebound Afoot

Industry Trends Have Lenders Seeking New Products and Markets in the Mid-Atlantic

By Joel Berg

REVERSE MORTGAGE LENDING in the Mid-Atlantic hit a fresh low in 2018, largely due to new federal standards that put Home Equity Conversion Mortgages (HECMs) out of reach for many would-be borrowers.

But lenders have cause for optimism. They are encouraged by growing acceptance of reverse mortgages, especially among financial planners, for instance, and an aging population that likely will need to lean on home equity in their golden years.

Lower interest rates and higher home values also are contributing factors. And given all the companies that have exited the reverse mortgage business over the last few years, the shrinking volume overall is not a prime issue for those that remain. They are focused instead on borrowers who continue to see home equity as an arrow in their retirement quiver and on new proprietary products that afford more options for doing so. And business may be looking up—finally.

"We're seeing a slight uptick. I wouldn't call it an increase just yet," says George Morales, HECM business development manager for Primary Residential Mortgage Inc., which is based in Salt Lake City, UT, but has offices around the country, including in the Mid-Atlantic. "Consumers are starting to finally take a look at it. They're just not pulling the trigger on it as quickly as the industry would have expected."

Those consumers break down into two camps: those who continue to tap into the HECM as a financial lifeline of last resort and others who see it as part of their overall retirement plan. In the Mid-Atlantic, the latter are likely to be found in areas with high home values around large cities, such as Baltimore, Philadelphia and Indianapolis.

"They're the ones who don't need to borrow against their equity, but they would like to," says Morales, adding that such consumers typically use the money to make large purchases or to furnish the lifestyle they desire. "They don't care about not having a mortgage payment."

Reverse Mortgage magazine is defining the Mid-Atlantic states to include Delaware, Indiana, Kentucky, Maryland, Ohio, Pennsylvania, Virginia and West Virginia, as well as Washington, DC. Most of the states saw volumes continue to slide in 2018, though some had registered slight upticks between 2016 and 2017.

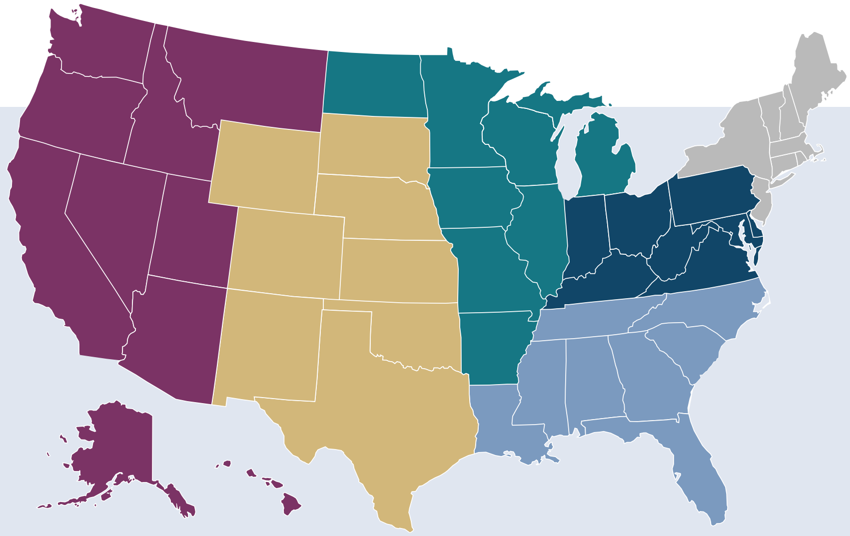
Pennsylvania, the sixth-largest state by population, saw its HECM endorsements rise about six percent, going from 1,336 loans in 2016 to 1,418 in 2017, according to data from Reverse Market Insight. But the total fell to 1,083 in 2018. The state hit a peak of 3,989 in 2008.

Among the factors weighing on the Keystone state market—as well as most others in the United States—are the 2017 changes to HECM standards for borrower qualification, says Dennis Cronin, a reverse mortgage professional with American Advisors Group in Lancaster, PA.

While the changes have kept many borrowers out of the market, other consumers are showing more interest

Region by Region

Over the next year, *Reverse Mortgage* will look at the HECM market through six regions of the country, with one region examined per issue starting with this January/February magazine. Here is a map of the regions. ▶



For the Mid-Atlantic region, here are some statistics by state, plus Washington, DC.

Delaware

Number of reverse mortgages funded through 2018: **4,507**
Peak year: **2009 (674)**
Lowest year since: **2018 (130)**
Unemployment rate (Sept. 2019): **3.5 percent**
Median household income (2018): **$65,012**
Median home price: **$237,300**
Share of people 55 and older: **32 percent**

Indiana

Number of reverse mortgages funded through 2018: **12,071**
Peak year: **2008 (1,120)**
Lowest year since: **2018 (387)**
Unemployment rate (Sept. 2019): **3.2 percent**
Median household income (2018): **$59,892**
Median home price: **$144,500**
Share of people 55 and older: **28 percent**

Kentucky

Number of reverse mortgages funded through 2018: **5,701**
Peak year: **2008 (528)**
Lowest year since: **2018 (235)**
Unemployment rate (Sept. 2019): **4.4 percent**
Median household income (2018): **$54,555**
Median home price: **$144,800**
Share of people 55 and older: **30 percent**

Maryland

Number of reverse mortgages funded through 2018: **31,525**
Peak year: **2008 (4,747)**
Lowest year since: **2018 (556)**
Unemployment rate (Sept. 2019): **3.7 percent**
Median household income (2018): **$86,223**
Median home price: **$290,000**
Share of people 55 and older: **29 percent**

Sources: Bureau of Labor Statistics; U.S. Census; Zillow and Business Insider; Kaiser Family Foundation; Reverse Market Insight

Ohio

Number of reverse mortgages funded through 2018: **19,556**
Peak year: **2008 (1,799)**
Lowest year since: **2018 (676)**
Unemployment rate (Sept. 2019): **4.2 percent**
Median household income (2018): **$61,633**
Median home price: **$139,100**
Share of people 55 and older: **31 percent**

Pennsylvania

Number of reverse mortgages funded through 2018: **38,984**
Peak year: **2008 (3,989)**
Lowest year since: 2018 **(1,083)**
Unemployment rate (Sept. 2019): **4 percent**
Median household income (2018): **$64,524**
Median home price: **$173,200**
Share of people 55 and older: **32 percent**

Virginia

Number of reverse mortgages funded through 2018: **32,538**
Peak year: **2009 (4,134)**
Lowest year since: **2018 (796)**
Unemployment rate (Sept. 2019): **2.7 percent**
Median household income (2018): **$77,151**
Median home price: **$258,600**
Share of people 55 and older: **28 percent**

Washington, DC

Number of reverse mortgages funded through 2018: **7,287**
Peak year: 2009 **(761)**
Lowest year since: 145 **(2018)**
Unemployment rate (Sept. 2019): **5.4 percent**
Median household income (2018): **$85,750**
Median home price: **$574,100**
Share of people 55 and older: **22 percent**

West Virginia

Number of reverse mortgages funded through 2018: **2,785**
Peak year: **2008 (266)**
Lowest year since: **2018 (124)**
Unemployment rate (Sept. 2019): **4.7 percent**
Median household income (2018): **$50,573**
Median home price: **$96,300**
Share of people 55 and older: **34 percent**

in the product. "It's like the whole thing has flipped, and this is not just in Pennsylvania, but across the board," adds Cronin. "You see more affluent, highly educated people with higher property values doing HECMs. Going back ten or 15 years, you saw people in foreclosure who were in desperate situations."

"You see more affluent, highly educated people with higher property values doing HECMs. Going back 10 or 15 years, you saw people in foreclosure that were in desperate situations."

—Dennis Cronin, American Advisors Group

Another change, Cronin says, has come among financial planners and other professionals who advise people in or near retirement. Those advisers once shut down clients who wanted to talk about reverse mortgages, he says. But they are now more willing to entertain the option. "I've been trying to educate for quite some time about this. We are seeing it open up some," he says, noting that he has gotten at least two referrals lately from financial advisors.

He also has seen growing interest in proprietary products in the jumbo market for higher-value homes. Cronin says he worked with a borrower in the Harrisburg, PA, area who stood to draw nearly $1 million in home equity—more than the roughly $730,000 the borrower would have gotten from a traditional HECM. The borrower's house was valued at $2.6 million. "He didn't want to mess with a HECM," Cronin says.

Cronin says he has made fewer inroads among real estate agents, who are in a position to recommend HECMs for Purchase to older homebuyers. "It's just been dribs and drabs forever," he says. "It's not really catching on."

In Pennsylvania's rust-belt neighbors, Indiana and Ohio, however, one lender sees HECMs for Purchase as a potential bright spot. "I really think that's where the future of the business is," says Tom Hedderich, a senior vice president for Hallmark Home Mortgage LLC in Indianapolis. He heads a team that originates reverse mortgages in Indiana, Kentucky, Missouri and Ohio, as well as Florida.

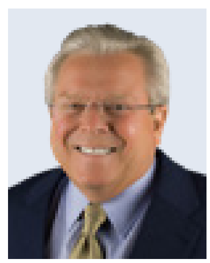
For now, he says, HECMs for Purchase make up about 20 percent of his business. They appeal primarily to borrowers in more urban areas, like Columbus, OH, Fort Wayne, IN and Indianapolis.

Overall, HECMs have fallen in the two states. In Ohio, endorsements slid from a peak of 1,799 in 2008 down to 676 in 2018, according to Reverse Market Insight. Indiana hit a high of 1,120 endorsements in 2008 before plunging to 387 in 2018.

Hedderich says his team has seen a slight increase in business after Hallmark Home tweaked its distribution system to get more forward lenders in its branch network talking about reverse mortgages.

Kentucky, he adds, has traditionally been a less-active market. According to Reverse Market Insight, HECM endorsements peaked at 528 in 2008 before falling to 235 in 2018.

Virginia and Maryland have ridden a similar roller coaster. But falling interest rates and rising home values appear to be sending the coaster uphill, according to lenders in the two states. "That's making a difference," says Patty Wills, sales development manager with Open Mortgage LLC in Ellicott City, MD. The company is based in Austin, TX.



Tom Hedderich

Neil Sweren

The impact has been most pronounced in the latter part of 2019, she says. "We have been able to make more loans work than before."

Lenders also are optimistic about proprietary products, especially in the DC area where home values are among the highest in the U.S. "Our hope is that it just becomes another option, the same way conventional or FHA is" in the forward mortgage market, says Neil Sweren, senior vice president of the reverse mortgage division of Atlantic Coast Mortgage LLC, based in Fairfax, VA, a DC suburb. He is based in Owings Mills, MD. "Why should this be any different?"

The challenge lies in securing state-by-state approval for proprietary products, he adds. Virginia and DC have approved them, but as of press time Maryland had not. RM

Life of Leisure

Vince Scarich Figured Out How to Use a Reverse Mortgage to Live Life 'Abundantly'

By Mark Olshaker

VINCE SCARICH HAS LIVED 47 years in his three-bedroom, two-bath ranch house, surrounded by dense foliage and towering trees, in the Los Altos area of California's Silicon Valley.

"I know where things are," he wryly comments. Born at the other end of San Francisco Bay in Berkeley, Vince sums up his financial experience in just a few words: "Made a lot of money, spent it, divorced it, lost it."

In reality, it wasn't quite that simple for this multitalented retired mortgage broker, whose house and reverse mortgage have allowed him to "live life abundantly" in his senior years.

Vince, 81, graduated from the University of California, Berkeley at age 20 with a degree in electrical engineering, motivated, he says, by "wanting a Corvette." He got a master's degree in engineering and found himself designing computers near the beginning of the computer revolution. "While I was doing this, I managed to make a lot of money in the stock market."

Instead of the Corvette, "I got a Ferrari," Vince says.

His career success afforded him enough financial security to retire at age 40, a hiatus that lasted for seven years. "But when I retired, I missed the normal activities of social interaction, dating, etc. It was kind of a midlife crisis, so I decided to explore, travel and figure out what I wanted to do," Vince says. A friend got him involved in her business, which involved taking care of flowers in people's homes and offices.

"I asked her for leads on businesses. I picked out 13 and wrote them letters asking, 'Do you have all the money you need?' I didn't know anything about this business, and I didn't know where I was going to get the money if I did get any responses," he says. "I just basically acted my way through."

That led Vince to obtain his real estate license and then become a mortgage broker. "I was a commercial mortgage broker, and then in residential for 25 years, and I held a lot of professional positions in the field," he says. "During that time, I made it a crusade to make truth and honesty into the code of conduct and mission statement for our industry."

Vince Scarich had a varied career but now is living life to the fullest, funded in part by his reverse mortgage.

Vince's occupation as a mobile notary introduced him to the world of reverse mortgages. "My business depended completely on relationships with the title companies that used my services," he says. "But eventually it became more work for less money. From what I'd learned, the reverse mortgage became a palpable option for me, and I got one in December 2018. It has allowed me to no longer work and live a life of ease."

Vince wasn't always so enthusiastic about the product, however. "With my [financial services] experience, I wouldn't do a reverse mortgage because I felt they were too one-sided," he says. "Now, things have shifted, and the interest rates are workable."

He looked into Finance of America Reverse's (FAR) HomeSafe Standard product. Ashley Honore Smith is FAR's director of marketing and discussed how FAR approaches borrowers like Vince. "Our loan origination team explained to him how our different financial services operate and essentially said to him, 'We think you're awesome. Can we work with you?,'" Ashley says.

Vince established a good relationship with FAR loan officer Jason Chambers and ended up with a proprietary product with far greater proceeds than a conventional HECM would have yielded. "Jason structured it to work for me," Vince says. "Everybody in Silicon Valley wanted my loan, but I wanted the lowest interest rates. Jason managed to pull it off and gave me the best deal."

The relationship didn't end there. "We quickly became good friends. We had long, intimate conversations about family, home, financial products and the issues we face in our lives," Vince says. "I knew I could call him any time of day. In all my years as a mortgage broker, he's one of the best people I've ever encountered."

And what has Vince done with that "life of ease" his HomeSafe Standard reverse mortgage allows him to enjoy? Not to worry—he keeps himself plenty busy socially. "I now have a fabulous partner, and for the past 27 years I've been hosting singing parties at my house with live music. It brings together a community of people and leads to other social activities," he says.

Vince's rich social life began to take root long before he got his reverse mortgage in 2018, though. "Back in 1971, I checked with the Library of Congress to see if there was any established association for bocce," Vince says.

Vince now goes to dinner when he wants, buys what he wants and gives what he wants.

That's the Italian-originated game (also claimed by other nationalities) usually played outside in which wooden balls are rolled with the aim of landing them closest to a smaller ball. "It turned out there wasn't any organized group, so we started the National Bocce Ball Association. I'm the seven-time national champion. We have a court in our backyard. The city is putting two courts in the new community center, and we're organizing teams."

Today, enjoying the benefits of his reverse mortgage, Vince says, "I can now go out to dinner when I want, buy what I want and give what I want. The mindset, the mood and the space the reverse mortgage has given me is one where now I don't have to worry." RM

Member News

Who's Who in Reverse Mortgages

Member News

Mortgage Assets Management Acquires RMS

Mortgage Assets Management LLC (MAM), a mortgage portfolio investment company based in Washington, DC that focuses on reverse mortgage acquisitions, commented on the acquisition of Reverse Mortgage Solutions Inc. (RMS), based in Houston, TX, following the Southern District of New York's U.S. Bankruptcy Court's approval of MAM's acquisition plan of RMS from Ditech Holding Corp. MAM President Cheryl MacNally confirmed that RMS will now operate as a wholly-owned subsidiary of MAM. MacNally also confirmed that the existing servicing operations of RMS will remain intact and continue with providing quality reverse mortgage services to its customers. "MAM and RMS are a perfect fit," says MacNally. "MAM's vision for RMS includes maintaining and focusing on its core servicing operations while implementing both process and technology initiatives for promoting greater efficiencies. Our RMS employees constitute a skilled and dedicated workforce committed to providing best-in-class service to our borrowers and stakeholders."

Lenders Announced Entry Into New York Market

On Oct. 18, Reverse Mortgage Funding LLC, Bloomfield, NJ, announced it was now licensed to originate Home Equity Conversion Mortgages (HECMs) to homeowners and homebuyers in the State of New York, through its retail and wholesale channels. "We are thrilled to now be able to serve New Yorkers and to provide older homeowners and homebuyers here with access to RMF's industry-leading expertise, our extraordinarily caring, personalized service and the pricing advantages we can offer as a direct lender," said David Peskin, president of RMF.

Three days later, on Oct. 21, Longbridge Financial, Mahwah, NJ, issued a similar announcement that it was now licensed in New York. "Longbridge Financial is thrilled to get our lender license in the State of NY, which is another key step in our company's growth," said Chris Mayer, president and CEO of Longbridge. "New York State is an expensive place to live, especially for seniors on a fixed income. That's why it is important for us to make the HECM program more accessible to New Yorkers." When asked what business channels are impacted by the new license, Mayer replied, "Retail broker and PAA (principal authorized agent). Anything we underwrite."

ReverseVision Launches New Strategic and Rebranding Effort

ReverseVision, San Diego, CA, announced its transformation as an API-enabled flexible reverse lending platform and unveiled a new logo as part of its revised mission and rebranding. ReverseVision's revised approach and associated system updates reflect its commitment to evolving platform functionality and equipping every lender—forward and reverse—with tools to easily integrate HECM and private reverse mortgages into the loan evaluation, sales and origination process for every applicable senior borrower. "The ReverseVision platform is transforming to enable a broader range of implementations matching lenders' business models. We are enabling all lenders to meet borrowers where they are in life," said ReverseVision Vice President of Sales and Marketing Wendy Peel. "Our revised API-enabled platform offers an operationally pragmatic approach to reverse home equity products."

Personnel Changes

Longbridge Financial LLC hired Adrian Prieto as its new assistant vice president and wholesale lending sales leader. In his new position, Prieto will lead the Longbridge account executive and partner liaison team to focus on wholesale business growth, with a particular focus on the broker channel. Prieto entered the reverse mortgage business in 2004 as a regional sales manager with Financial Freedom and has been employed by top producing lenders, such as Senior Lending Network, Genworth Financial Home Equity Access, Liberty Home Equity Solutions, American Advisors Group and most recently at HighTechLending Inc.

John Loveless joined New American Funding as a loan originator for California and Nevada. He most recently served as business development manager at HighTechLending Inc.

John Metcalf joined Retirement Funding Solutions/ Mutual of Omaha Mortgage as business development manager. He held the same position most recently at Resolute Bank, Maumee, OH, and before that he was HECM Division Manager at Proficio Mortgage Ventures LLC.

Profiles of Member Companies

Allegiant Reverse Services, a division of FNC Title Services, LLC

Allegiant Reverse Services, a division of FNC Title Services, LLC., is a full-service title and settlement company with a national footprint. Our seasoned staff is regarded as the most knowledgeable and professional team in the industry. Additionally, we are backed by the top two underwriters in the nation. Fidelity National Title and First American Title provide the comprehensive coverage, stability and security our borrowers and lenders deserve. This along with our steadfast dedication and loyalty to the reverse mortgage industry continues to make us the partner you can depend on.

Megan Hafenstein, Vice President
megan@allegiantreverse.com
844-808-8299 • allegiantreverse.com

American Advisors Group (AAG)

AAG is dedicated to helping older Americans find new ways to fund a better retirement through the responsible use of home equity. As the nation's leader in reverse mortgage lending, AAG offers a suite of home equity solutions – including federally-insured Home Equity Conversion Mortgages, traditional and proprietary mortgages, and real estate services – that are designed to give seniors a better financial outcome in retirement. AAG is a proud member of the National Reverse Mortgage Lenders Association (NRMLA). To learn more about AAG and reverse mortgage loans, please visit the company's website at www.aag.com/wholesale.

Tabatha Addison, Vice President, Business Development & Training
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Celink

People – We are a team of committed and ethical reverse mortgage servicing professionals and subject matter experts.

Platform – ReverseServ™ is Celink's proprietary reverse mortgage servicing platform.

Process – Celink manages thousands of line of credit requests, files hundreds of claims to HUD, and may process between two to 5,000 monthly prepayments, foreclosures, due & payables, and T&I defaults.

Partners – Celink has long-term and mutually profitable relationships with very reputable names in the reverse mortgage industry.

Passion – Celink is dedicated to its clients, their borrowers, and the reverse mortgage industry-at-large.

Contact: Katie Rizzo, Director of Client Relations
517-703-1857 • www.celink.com

Finance of America Reverse LLC

FAR is the nation's #1 Wholesale Reverse Mortgage Lender* and Innovation Leader, paving the way forward. FAR pioneered the most comprehensive suite of proprietary products in the market with LOC, Fixed with Flex Payment Options, and Second Lien offerings to create more opportunity for our partners to help Americans get to work on retirement.

**Since December 2011. Based on trailing 12 months' endorsement volume. Source: Reverse Market Insight.*

Jonathan Scarpati, VP
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Guardian Asset Management

Specializing in reverse mortgage field services, Guardian Asset Management works diligently with our clients to find a comprehensive, cost effective custom solution to protect and preserve their assets.Our unique business model of a direct "boots on the ground" national vendor network coupled with industry leading field service technology, provides our clients a clear view into each asset. This model minimizes operational gaps and expenses associated with each asset.

Dan Leader, COO
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HighTechLending

HighTechLending, dba American-Senior, is a FHA, Full Eagle Mortgage Bank, holding GNMA and FNMA approvals and specializing in retail, reverse and wholesale platforms. Based in Irvine, CA, we have over 50 branches and are licensed in 19 states nationwide. Since its founding by Don Currie and Erika Macias-White in 2007, HighTechLending has become a Top 10 HECM lender nationwide, and the second largest in California. With over 35 years in the mortgage industry, Don Currie's vision is continuing to expand its national reverse footprint with confidence and integrity and always maintaining the perfect branch platform thanks to its exceptional staff, efficient operations and commitment to seniors.

Don Currie, President
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Longbridge Financial, LLC

Longbridge Financial is a highly rated national reverse mortgage lender and servicer that helps seniors responsibly utilize their hard-earned home equity to improve their retirement and address the financial challenges affecting so many older Americans. Founded in 2012 and led by an Ivy-league professor, Longbridge works every day to expand the reverse mortgage market by lending education and support to partners across the country, working with reputable companies that share our commitment to the highest business and regulatory standards. The financial solutions that we offer can help your clients eliminate or reduce monthly mortgage payments or establish a guaranteed credit line to help fund the retirement lifestyle they worked so hard to earn. For more information about Longbridge Financial, see www.longbridge-financial.com/wholesale.

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LRES

LRES is a national provider of property valuation and REO asset management services for the real estate, capital market and finance industries. At LRES, we specialize in helping our clients effectively manage compliance and financial risks associated with valuation matters. We are the preeminent valuations provider for the reverse mortgage industry and deliver peerless service as we strive to be your business partner of choice. LRES has experienced significant growth, regardless of market conditions, thanks to an experienced staff, advanced technology, solid business planning, efficient operations, and the support of every client we serve.

Sun Chung, Director of Marketing
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National Field Representatives, Inc.

National Field Representatives is a national inspection and property preservation services company that is relied on and trusted to protect properties through proven quality performance at the highest of standards of accuracy, timeliness, customer service and technological innovation.

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Premier Reverse Closings (PRC)

PRC is one of the most well-respected reverse-specific title and settlement companies in the industry. We are your one-stop shop for nationwide title and settlement services. From teaching CRMP courses to our mission on notary initiatives, we strive to always exceed our clients' and borrowers' expectations. Our parent company (MLHC) was founded in 1973 and has provided us with an unprecedented amount of resources and support since our inception in 2008. Having closed more than 190,000 reverse mortgage transactions, PRC is experienced in all facets of the reverse mortgage title and settlement business. We would love an opportunity to be your partner in success. Contact us today!

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Reverse Mortgage Funding LLC (RMF)

Reverse Mortgage Funding LLC (RMF) is an independent, reverse-only company. We don't have competing corporate priorities or distracting lines of business. Everything we do is focused on making reverse mortgages better, in a proactive and nimble way that benefits everyone. Known for product innovation, exceptional service and unparalleled secondary market expertise, RMF delivers a wide array of products and superior pricing. Whether you are new to reverse or a seasoned originator, RMF has a variety of platforms that help our partners succeed. Partner with us today, and together we'll create opportunities for a brighter future.

For wholesale opportunities: Call 877-820.5314 or visit partners.reversefunding.com • For career opportunities: Email careers@reversefunding.com

The HECM Portfolio

An In-Depth View of Some FHA Statistics from NRMLA's 2019 Annual Meeting

71-74 Roughly, the average age of borrowers between 2009 and 2019.

60,082; 31,260: HECM counseling certificates issued in FY 2019, compared to the number of endorsements.

90% Rough percentage of borrowers getting a traditional HECM in FY 2019.

90% Rough percentage of borrowers getting a line of credit in FY 2019.

90% Rough percentage of borrowers getting an annual adjustable rate in FY 2019.

267,487: Active HECM adjustable rate LIBOR indexed mortgages as of Sept. 30.

20% Rough percentage of HECM borrowers from 2009 to 2019 identified as single males.

40% Rough percentage of HECM borrowers between 2009 and 2019 identified as single females.

40%: Rough percentage of HECM borrowers between 2009 and 2019 identified as couples.

Source: Federal Housing Administration

Wine and Chocolate,

Some Things Just Work Better Together!

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