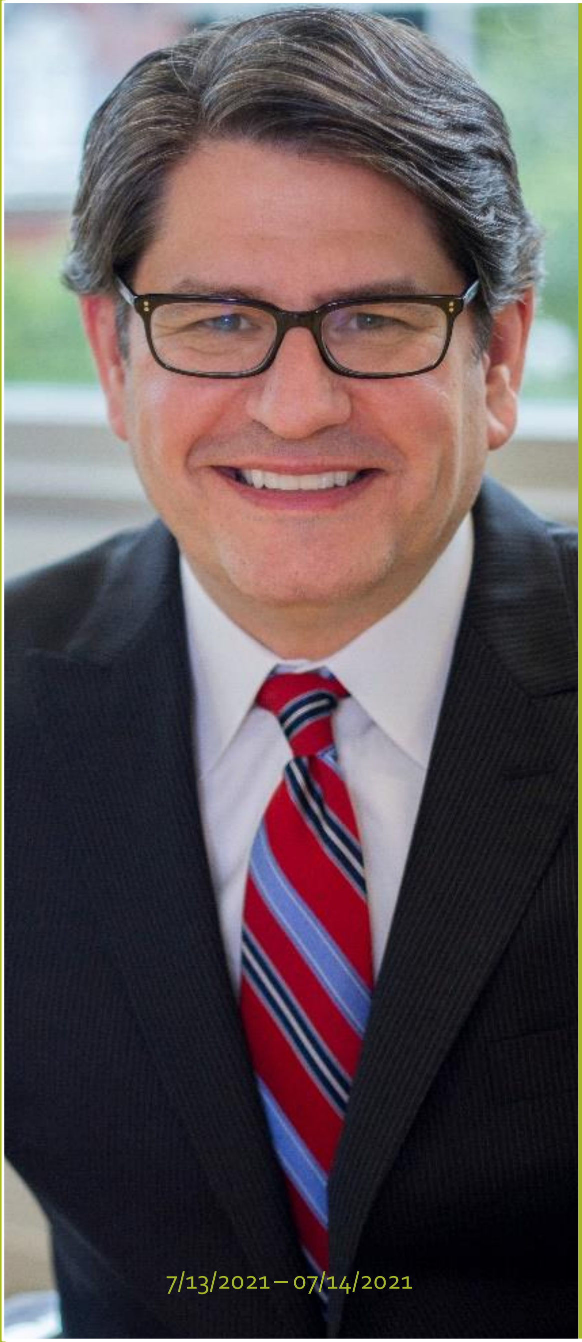

NRMLA's
Virtual Summer Meeting
July 13-14, 2021
NRMLA
NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

WELCOME



Jim Milano

Jim Milano, Member, Weiner Brodsky Kider PC
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Jim Milano is a Member of the law firm of Weiner Brodsky Kider PC. Jim focuses his practice on federal and state consumer financial services regulatory compliance, and transactional matters that affect consumer finance and mortgage companies, investors and the venders that serve such entities. Jim is nationally recognized as one of the leading lawyers on reverse mortgage law. Jim currently serves as Outside General Counsel to the National Reverse Mortgage Lenders Association, and is a former Chairman of the Manufactured Housing Institute's Finance Lawyers Committee. Jim frequently publishes articles in journals and is a regular speaker at mortgage banking conferences and webinars. Jim received several undergraduate degrees from Louisiana State University in 1983 and 1986, and his law degree from Louisiana State University in 1989, and an LL.M from Emory University in 1991. Jim is licensed to practice law in the District of Columbia, Maryland and Virginia, as well as Georgia and Louisiana. Prior to joining Weiner Brodsky Kider in 2000, Jim worked as Corporate Counsel and General Counsel, starting in 1992, at several large consumer finance and mortgage banking companies.

Shelley Giordano

Academy for Home Equity in Financial Planning
University of Illinois at Urbana-Champaign

Shelley Giordano, Chair, Academy for Home Equity in Financial Planning

Shelley's career in HECM lending spans two decades and includes sales at the kitchen table, management, training, product development, public relations, and advocacy. She is the author of "*What's the Deal with Reverse Mortgages?*" and has penned numerous articles for publications such as *Benefits Magazine*, and other retirement income journals. She mentors a group of elite loan officers who are part of a learning community devoted to the integration of housing wealth in retirement planning. In 2012 Shelley co-founded the **Funding Longevity Task Force with Torrey Larsen,** now the Academy for Home Equity in Financial Planning at the University of Illinois U-C.

Over the years, this group of academics, gerontologists, actuaries and practitioners has produced the quantitative underpinnings that have caught the pen of financial services media. As Chair, she has participated in numerous panels for the financial planning community. Most recently, Shelley co-chaired the first **Housing Wealth in Retirement Symposium** in Washington DC, the first event to draw on the combined expertise of HECM industry leaders, NGOs, regulatory agencies, financial services professionals, and academicians. She is a passionate advocate for responsible lending practices as well as the right for the American retiree to easily obtain accurate information on how a reverse mortgage may contribute to retirement income security, and how much it costs.

Shelley is a graduate of the College of William and Mary and earned an MA in English from Old Dominion University. She lives in Washington, DC and is a member of Women in Housing and Finance and NAIFA. While patiently awaiting grandchildren she spoils Scout, the world's most perfect Australian Shepherd.

Introduction and Overview

How may mortgage companies create a Mutually Beneficial Business Arrangement between the mortgage company and a financial advisor for the homeowner's benefit?

Two Regulatory Landscapes

Securities and Broker-Dealer Rules, Policies and Practices

Mortgage Regulations

DISCLAIMER

The contents herein, and all related discussions, are informational in nature only, and do not constitute, and are no substitution for, legal advice.

Receipt or use of this information shall not in any way create or be construed as an attorney-client relationship or the creation thereof, and any communications absent such a relationship are not protected.

The contents herein, and all related discussions, are not intended as a solicitation of legal advice.

Agenda

Why Develop Relationships with Financial Professionals?

Financial Services' Rules & Practices: Why So Much Regulation in the Advisor Field?

Educating vs. Compensating Other Professionals

Mortgage Rules

- Claire McCaskill Rule and mini-McCaskill State Equivalents
- Annuities
- Long-Term Care Insurance
- California Special Rules on Insurance (CA AB 793)

Final Word on What to Avoid

Differentiation

Purchase Securities

https://www.finra.org/rules-guidance/notices/04-89

Versus

Protect *Existing* Securities

Securities Regulation at-a-Glance

After the 1929 Stock Market Crash

3 Acts

Bring order and safety to investing public

1933: Often referred to as the "truth in securities" law, the Securities Act of 1933 has two basic objectives:

- Require that investors receive financial and other significant information concerning securities being offered for public sale;
- Prohibit deceit, misrepresentations, and other fraud in the sale of securities.

1934: Securities Exchange Act ,Congress created the Securities and Exchange Commission. The Act empowers the SEC with broad authority over all aspects of the securities industry. This includes the power to register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies as well as the nation's securities self-regulatory organizations (SROs). The various securities exchanges, such as the New York Stock Exchange, the Nasdaq Stock Market, and the Chicago Board of Options are SROs. The Financial Industry Regulatory Authority (FINRA) is also an SRO.

1940: Investment Company Act/Investment Adviser Act: Minimize conflicts of interest, protect investors.

Licenses are not designations!

Regulated by FINRA

Series 63 Stockbroker, Mutual Funds, Variable insurance products

Series 65 Give advice on non-commission basis

Series 6 Registered to sell mutual funds, variable annuities, limited investment, packaged products

Series 7 Can sell individual securities (Registered Rep)

Registered by **SEC** and held to a Fiduciary Standard: **RIA**

An investment advisor representative (IAR) is a financial professional who works under the umbrella of a registered investment advisor (RIA). While many investors think of RIAs as people, RIAs are the businesses that IARs work for. An RIA, then, can employ one IAR or hundreds of IARs.

To become an IAR, you must either pass the Series 65 exam or pass both the Series 7 and Series 66 exams. In some states, you may be able to use a professional designation, such as certified financial planner (CFP) or chartered financial analyst (CFA), instead of passing the Series 65.

Not all CFPs and CFAs *are* IARs—and not all IARs *are* CFPs or CFAs.

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RESISTANCE TO INCLUDING REVERSE MORTGAGES IN PLANNING PROTOCOLS

B-D Compliance **Highly Accountable**

Complexity ~ (SEC.gov). A 2015 compliance survey shows that CCOs deal with a wide variety of compliance risk areas that are only growing in complexity, such as ***data security, privacy and confidentiality, industry-specific regulations, bribery and corruption, conflicts of interest, fraud, money laundering, business continuity, and insider trading.***

Under Section 15(b)(6) of the Securities Exchange Act***, the SEC has authority to bring proceedings against individuals associated with a broker-dealer if someone under that person's supervision violates the provisions of the federal securities laws,*** the Commodity Exchange Act, the rules or regulations under those statutes, or the rules of the Municipal Securities Rulemaking Board, and the supervisor failed to reasonably supervise that person with a view toward preventing the particular violation.

Two Developments

FINRA 2014

Investor Alert

Removed **"Last Resort"** language

"But homeowners should consider all the risks and explore all of their options before taking out a reverse mortgage, and even then, should use the **loan funds wisely**." (Our emphasis)

FINRA Investor Information—Investor Alerts, tools and much more to help you invest smarter and safer.

SEC 2020

Regulation Best Interest

Enhances Standard of Conduct for Broker-Dealers

https://www.sec.gov/news/speech/clayton-regulation-best-interest-investment-adviser-fiduciary-duty

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Educating Versus Compensating

Discussions regarding financial planners in reverse mortgage industry focused on educating planners about the uses of reverse mortgages in retirement.

Some discussion focused on how a reverse mortgage company might more effectively integrate financial planners as effective influencers of business.

FAQs include:

Can I enter into marketing services agreements or lead sales arrangements with financial planners?

Can I more effectively integrate my reverse mortgage offerings into a financial planner's services or offerings?

Can I hire financial planners as loan officer employees to offer reverse mortgages?

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Compensation Triggers Mortgage Regulations

RESPA

McCaskill Provisions

HUD released the following statement in the Mortgagee Letter 2008-24 on September 16, 2008: This statement provides that a mortgage originator shall (1) not participate in any other financial or insurance product; **or** (2) demonstrate to HUD that the mortgagee or other party maintains, or will maintain, firewalls and other safeguards designed to ensure that (i) individuals participating in the origination of a HECM mortgage have no involvement with, or incentive to provide the mortgagor with, any other financial or insurance product; and (ii) the mortgagor shall not be required, directly or indirectly, as a condition of obtaining a mortgage under this section, to purchase any other financial or insurance product.

State Mortgage Licensing SAFE Act Issues

UDAAP

Unfair, deceptive, or abusive acts and practices (UDAAP) can cause significant financial injury to consumers, erode consumer confidence, and undermine the financial marketplace.

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Other Mortgage Considerations

CA AB 793

What is the Annuity Rule?

What about Long-Term Care Insurance Premiums?

A Final Word

- Do NOT give financial advice
- Do NOT give tax advice, including "recommending" a Roth IRA conversion
- Never tie any other product to a reverse mortgage origination