



National Reverse Mortgage Lenders Association

2022 Annual Meeting & Expo

November 1-3, Atlanta, GA

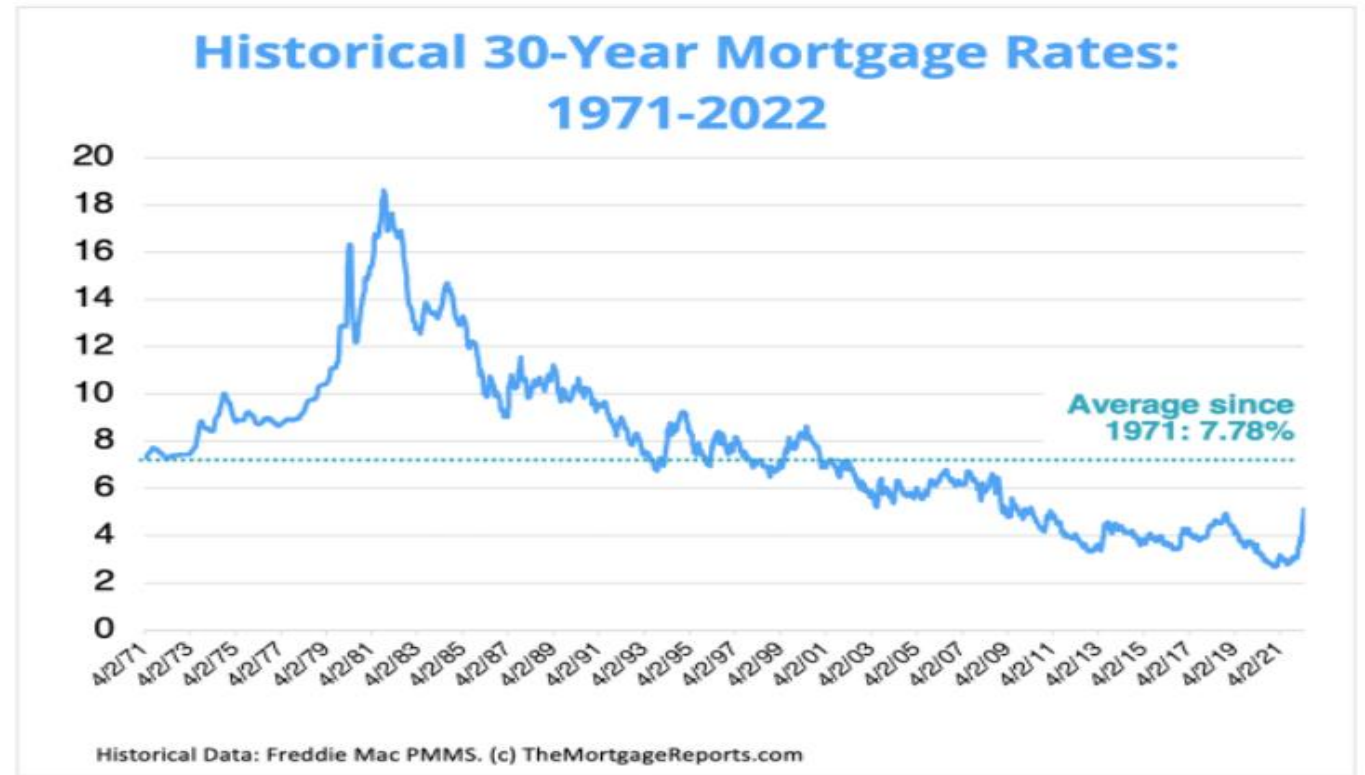
The Value Proposition in a Rising Rate Environment

Are rates really that bad?

Mindset

Beliefs

Perspective



Historical Perspective – 30-year fixed rates

Mortgage Rates	Where they Started	Where they were by the end of the decade
1970s	7.13%	7.48%
1980s	7.48%	9.78%
1990s	10.13%	8.06%
2000s	8.06%	5.14%
2010s	5.14%	3.72%
2020s	3.72%	Today's rate - 7.25%



Reverse Mortgage in perspective

2007

Index	Rate	Margin	Margin plus index	Highest MCA
12-month Libor	5.313%	2%	7.313%	\$362,790
12-month CMT	4.86%	2%	6.08%	

2022

Index	Rate	Margin	Margin plus Index	Highest MCA
12-month CMT	4.57%	2.675%	7.245%	\$970,800
10-year CMT	4.12%	2.675%	6.795%	



Changing a Mindset *Yours or Your Clients*

- We all know the negatives – we have heard them for years.
 - The bank owns your house, their too expensive, etc.
- Why? Reverse mortgages have premium features and generally people will pay more for value, real or perceived.
 - No required P&I monthly payments
 - Non-recourse
 - Growing LOC
 - Retirees have over \$11 trillion in equity; put it to work





What is the Value Proposition?

1. The promise of what the product delivers to your customers
 - *No more monthly P&I (maybe T&I too) payments*
 - *Never owe more than the home is worth*
2. The benefits that your customers will reap
 - *Additional Cash Flow*
 - *Improved lifestyle (travel, greater security, etc.)*
3. Why they should choose your product
 - *Line of Credit Growth*
 - *Monthly payments are optional*
 - *HELOC can be frozen or suspended*

**Rates
maybe on
the rise,
but these
values still
hold true!**

How to identify the Value Proposition

- **Discover What is important to them**
- **Discover Why it's so important to them**
- **Discover How it will impact them**



Accomplish Goals

- It's less about the rate and exact amount of cash/loan proceeds
- More about what they need





What are the Economic Factors Facing Seniors?





Average Years in Retirement: 18 years

Will your financial resources last that long?

Average Household Spend for Retirees: \$47,579

That's just the basics, no extras.

Average SS Check in 2022: \$1666.49

That's less than \$20k per year, \$27,581 short from the average retiree spend.

Average debt for 56–74-year-old households: \$96,984

When your income declines can you still make those payments?

Average Healthcare expenses for retired couples: \$245,000

Do you have an extra quarter million to pay for healthcare?

Available 401K Balance (60-69): \$198,000

Is that enough to last at least 18 years?

Statistics

Putting Statistics to Work

- \$47,579 – Average Household Spend
- \$20,034 – Average SS Check

401K lasts 8 years, 5 months assuming 4% annual growth

- \$198,000 - Average 401K Balance
- Considerations
 - Increased healthcare costs
 - Inflation
 - Market considerations

	Average 401k Balance	Annual Draws (Avg Household Spend - Avg SS)
Year 1	\$198,000.00	\$27,545
Year 2	\$171,247.00	\$27,545
Year 3	\$144,386.99	\$27,545
Year 4	\$117,419.54	\$27,545
Year 5	\$90,344.21	\$27,545
Year 6	\$63,160.59	\$27,545
Year 7	\$35,868.23	\$27,545
Year 8	\$8,466.71	\$27,545
Year 9	(\$19,044.43)	\$27,545
Year 10	(\$46,665.60)	\$27,545
Year 11	(\$74,397.27)	\$27,545
Year 12	(\$102,239.86)	\$27,545
Year 13	(\$130,193.82)	\$27,545
Year 14	(\$158,259.59)	\$27,545
Year 15	(\$186,437.63)	\$27,545
Year 16	(\$214,728.38)	\$27,545
Year 17	(\$243,132.29)	\$27,545
Year 18	(\$271,649.82)	\$27,545

The Solution

Coupling retirement savings AND a reverse mortgage will extend BOTH sources.

- Drawing \$1,000 each month from the 401K (assuming 4% growth) lasts into the 18th year.
- Drawing the remaining funds from a HECM LOC (with a 5.75% rate) will leave over \$100,000 in the LOC 18 years later.
- Starting draws of \$27,545 in year 18 won't exhaust LOC funds until the end of year 22!

Using a 401K AND a HECM LOC extends 401K by 10 years and leaves over \$100,000 in the LOC in year 18!

	<i>Average 401k Balance</i>	<i>Annual Draws (Avg Household Spend - Avg SS)</i>	<i>LOC Balance</i>	<i>Annual Draws</i>
Year 1	\$ 186,792.00	\$ 12,000.00	\$ 195,114.78	\$ 15,540.00
Year 2	\$ 175,539.17	\$ 12,000.00	\$ 192,043.98	\$ 15,540.00
Year 3	\$ 164,241.32	\$ 12,000.00	\$ 188,775.66	\$ 15,540.00
Year 4	\$ 152,898.29	\$ 12,000.00	\$ 185,297.12	\$ 15,540.00
Year 5	\$ 141,509.88	\$ 12,000.00	\$ 181,594.83	\$ 15,540.00
Year 6	\$ 130,075.92	\$ 12,000.00	\$ 177,654.40	\$ 15,540.00
Year 7	\$ 118,596.23	\$ 12,000.00	\$ 173,460.51	\$ 15,540.00
Year 8	\$ 107,070.61	\$ 12,000.00	\$ 168,996.87	\$ 15,540.00
Year 9	\$ 95,498.89	\$ 12,000.00	\$ 164,246.12	\$ 15,540.00
Year 10	\$ 83,880.89	\$ 12,000.00	\$ 159,189.79	\$ 15,540.00
Year 11	\$ 72,216.41	\$ 12,000.00	\$ 153,808.23	\$ 15,540.00
Year 12	\$ 60,505.28	\$ 12,000.00	\$ 148,080.51	\$ 15,540.00
Year 13	\$ 48,747.30	\$ 12,000.00	\$ 141,984.38	\$ 15,540.00
Year 14	\$ 36,942.29	\$ 12,000.00	\$ 135,496.14	\$ 15,540.00
Year 15	\$ 25,090.06	\$ 12,000.00	\$ 128,590.56	\$ 15,540.00
Year 16	\$ 13,190.42	\$ 12,000.00	\$ 121,240.80	\$ 15,540.00
Year 17	\$ 1,243.18	\$ 12,000.00	\$ 113,418.29	\$ 15,540.00
Year 18	\$(10,751.85)	\$ 12,000.00	\$105,092.62	\$ 15,540.00

Inflation Beater





A Reverse Mortgage Can...

Hedge against inflation

- Tenure payments to increase cash flow
- Cashout or debt consolidation

Guard against market downturns

- When retirement funds decrease, a reverse can make up the difference with monthly payments or LOC draws

Fund taxes and insurance

- A LESA can avoid large annual tax and insurance bills

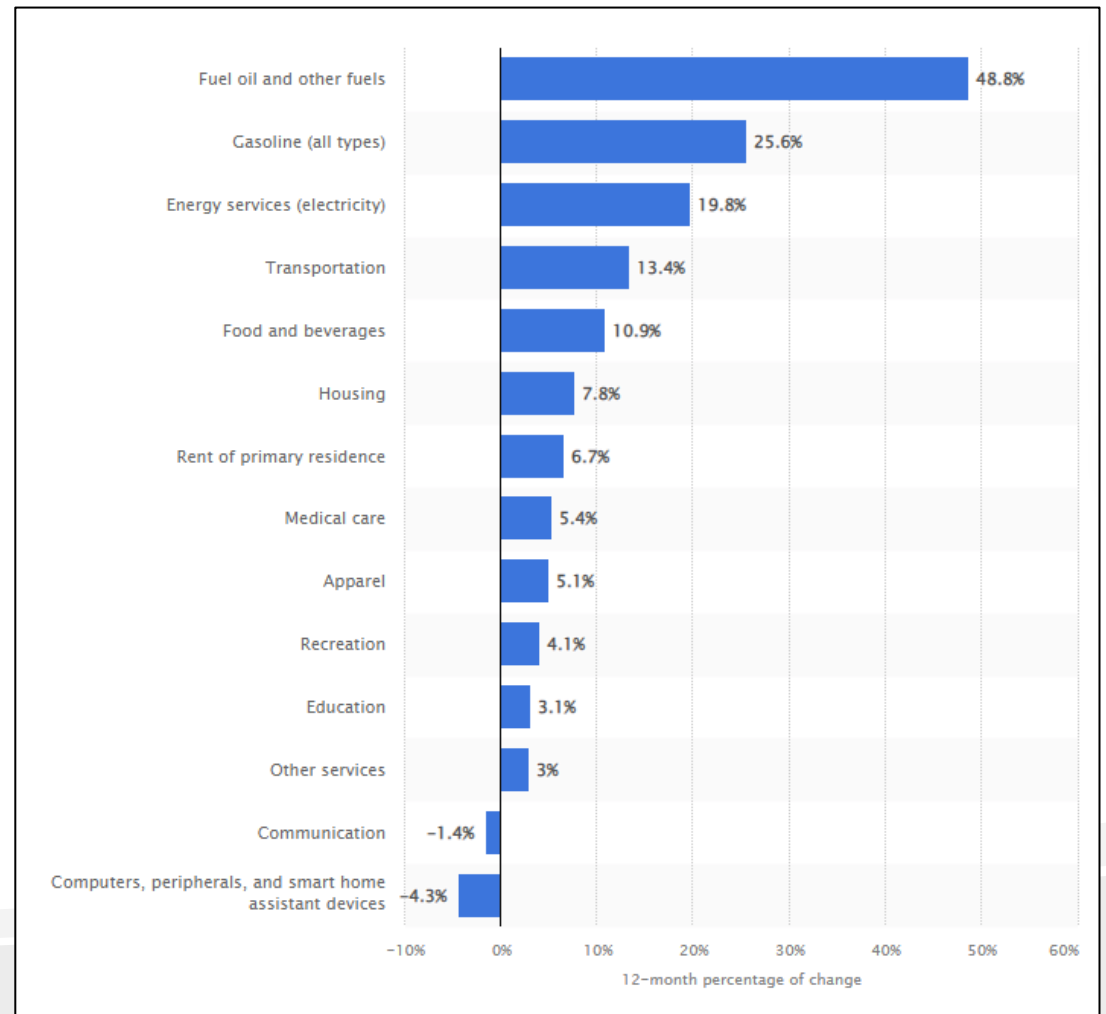
Provide a source of funds for unexpected expenses

- Unlike a HELOC, no monthly payments are required interest or principal

12 Month % Change in US CPI (8/21-8/22)

- 63% of middle-income Americans (\$48-89,899) say inflation has caused financial hardship.
- The average household income for 65+ \$47,620.

A 275-gallon oil tank costs \$791 to fill in March 2021. The same oil tank costs \$1366 in March 2022. An increase of \$575 weather in the East and Midwest is expected to be colder this season.



Inflation Beater – Credit Cards

Many seniors are using credit cards to pay for daily expenses.

Americans 75 and older had the highest amount of credit card debt in Q1 2022

Average credit card interest rate in 2021: 19.2%

AVERAGE CREDIT CARD DEBT BY AGE

Age Group	Median Credit Card Debt	Average Credit Card Debt	Percentage Who Carry Debt
Younger than 35	\$1,900	\$3,700	48%
35-44	\$2,600	\$6,000	51%
45-54	\$3,200	\$7,700	52%
55-64	\$3,000	\$6,900	47%
65-74	\$2,900	\$7,000	41%
75 or older	\$2,700	\$8,100	28%

- On 9/27 a HECM 200 had a rate of 6.08% - Payoff those credit cards with **Cashout** on a HECM or **debt consolidation** on a proprietary reverse.
- **Tenure** payments can also help to increase Cash Flow to assist in making those credit card payment

HECM Trends & Tips



#1 Trend = Paying Down Debt

- This is due to more seniors entering retirement with more debt than ever before:
- 13% Credit Debt Increase this year alone (Highest increase in 20 years)

Start asking them things like:

1. *How has this current market affected your 401k and retirement savings?*
2. *How has inflation impacted your current monthly budget?*
3. *Are you finding yourself like most people, and having to charge your credit cards up more than normal?*
4. *If you don't do something soon to pay down these high interest rate credit card debts, how will you ever get ahead of them?*



Mortgages and HELOCs

The Mortgage Swap

- More than 10 million homeowners 65+ have mortgage debt.
- With rates higher than they have been in many years, refinancing doesn't make sense for most.

*Still Working?
Make partial prepays at anytime.
Making \$500 monthly payments for 5 years may provide a \$34k LOC (if ARM is selected).*

Original Mortgage	Traditional Refinance		
\$240,000	\$200,445		Loan balance in 2022
360 months	180 months	360 months	Payments until age 89/104
4.17%	6.13%	6.87%	Today's rates would increase monthly payments
2014	2022		
\$1,169	\$1,706	\$1,316	Monthly P&I

The Premium Choice
5.875% ER = \$219,500 PL*
Short to Close = \$821
Recoup Short to Close: Less than 1 month

* 74-year-old borrower with \$500,000 MCA in CA using full origination fees and other closing costs estimated to be \$3876



HELOC Shock

10 Year Interest Only/10 P&I

\$30,000 HELOC

- **\$178** Interest Only for 10 years
- **\$350** Principal and Interest for 10 years

\$100,000 HELOC

- **\$593** Interest Only for 10 years
- **\$1,167** Principal and Interest for 10 years

HECM Monthly 200

72 Y/O Borrower in CA - \$350K MCA
\$30,000 Cash-out, beginning LOC
\$103,680

- **Required monthly payments: \$0**

*Can your client's cash flow
sustain the monthly payments
now and in the future?*



Regroup – The Value Proposition of Reverse Mortgages

- Inflation is a REAL concern
 - HELOC Shock
 - Mortgage Swap
- Credit Cards Balances on the Rise
 - Debt Consolidation (proprietary)
 - Cash-out
 - Monthly payments
- Healthcare Costs nearly $\frac{1}{4}$ million for retirees
 - Growing LOC
- Length of Retirement
 - RM can increase cash flow and extend other retirement savings

Change the Mindset!

- *No required P&I monthly payments*
- *Non-recourse*
- *Growing LOC*
- *As compared to what?*

The Good News!

Retirees have over \$11 million in equity – put it to work!