

National Settlement Services Summit

Tapping into Reverse Mortgages & the Fastest Growing Mortgage Segment

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A Senior's Perspective



“I worked hard all of my life – saved and planned for my wife and I to enjoy retirementI thought my investments and retirement accounts would provide for our old age but it seems that the only good ‘investment’ was our home – the rest has dwindled...”



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SO, WHAT'S THE LATEST

NEWS IN THE MORTGAGE INDUSTRY?

- **“The Freefall of Sub-Prime”**
- **“Write-Downs!”**
- **“Congress Takes Action”**
- **“Reverse Mortgage Loans Production Continues to Explode!”**



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If You Watch TV or Read Newspapers...



You can't miss that press that Reverse Mortgages have Garnered



Your Money Reverse mortgages offer many retirees a source of income

The many reports of the public's aversion to getting in debt have caused the mortgage industry to look for new ways to help homeowners. One of the most popular ways is through reverse mortgages, which allow homeowners to borrow against the equity in their homes without having to make monthly payments. This type of loan is often used by retirees to supplement their income.

Reverse mortgages up
A recent survey of reverse mortgage borrowers reported that:

Year	Reverse mortgages
2006	1.2 million
2005	1.1 million
2004	1.0 million
2003	0.9 million
2002	0.8 million
2001	0.7 million
2000	0.6 million

Key points:

- The most common way to get a reverse mortgage is through a lender, and you're responsible for maintaining your home. If you fail to meet these responsibilities, your lender may foreclose on your home.
- A loan is better understood, reverse mortgages have rising costs and other factors. However, you can usually see your benefits if you meet requirements. The only way to get a reverse mortgage is to have a credit check and a "reverse" title search.
- Reverse mortgage rates are typically lower than the rate of a loan, and you can usually see your benefits if you meet requirements. The only way to get a reverse mortgage is to have a credit check and a "reverse" title search.

Getting a loan
If you're interested in getting a reverse mortgage, make sure you know what you're getting into. Reverse mortgage lenders are required to comply with the National Health to ensure that you're getting the best deal. The only way to get a reverse mortgage is to have a credit check and a "reverse" title search.

Key points:

- You can get a lot of money from a reverse mortgage, but you'll have to pay for it. The only way to get a reverse mortgage is to have a credit check and a "reverse" title search.
- If you're interested in getting a reverse mortgage, make sure you know what you're getting into. Reverse mortgage lenders are required to comply with the National Health to ensure that you're getting the best deal. The only way to get a reverse mortgage is to have a credit check and a "reverse" title search.

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Governmental Agencies Chime In



- **FHA Modernization Bill** – makes significant changes to Reverse Mortgage Program:
 - **HECM for purchase**
 - **National lending limit**
 - **Reduced Upfront Fees/Costs**
- **Department of Health & Human Services provides grant to National Council on Aging (NCOA) to promote use of Reverse Mortgages to fund LTC**



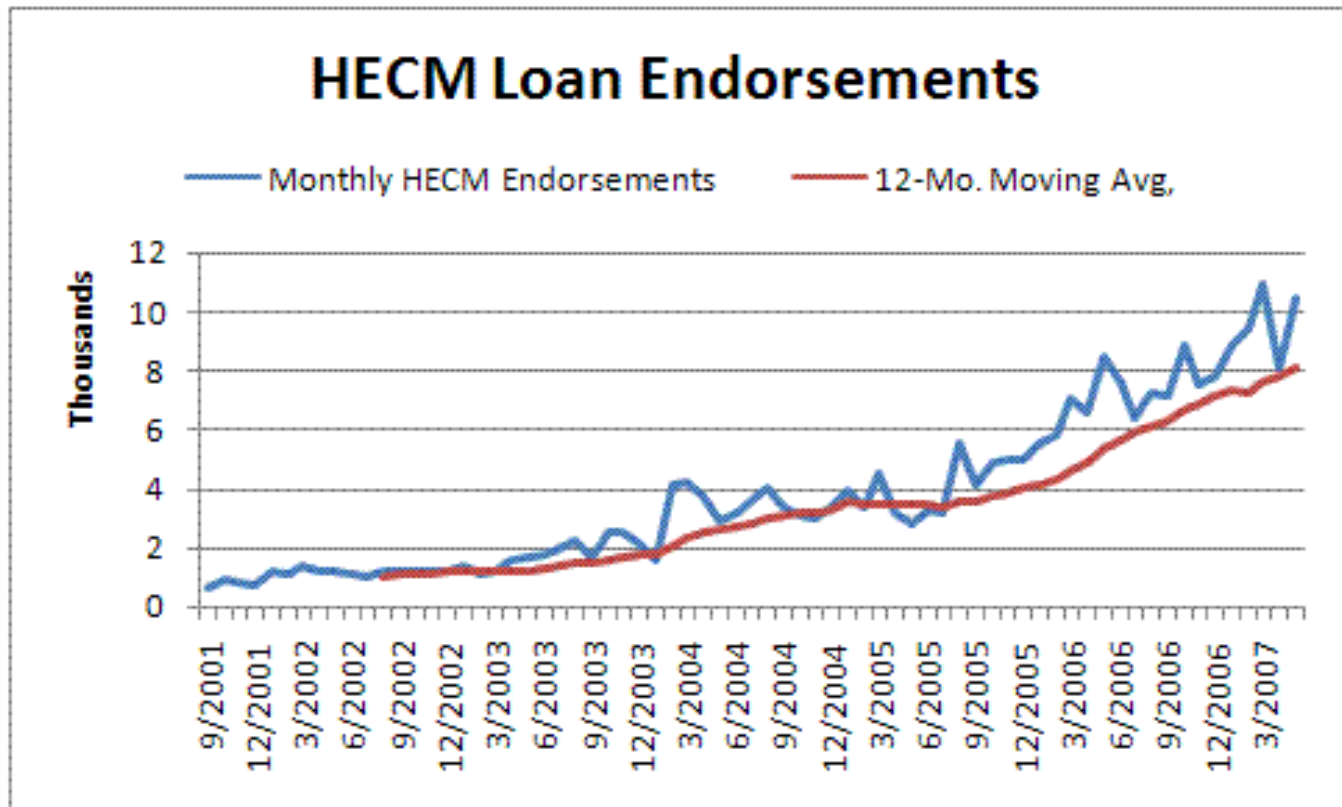
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Reverse Mortgage Fast Fact



**Even with Great Growth,
We are at @ 1% Market Penetration!**



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A Brief History of Reverse Mortgages



- **Reverse Mortgage Loans have been around in several forms for decades**
- **In 1989, a truly nationwide product becomes available:**
 - The **HECM** (Home Equity Conversion Mortgage)
 - **Insured by Federal Housing Administration (FHA)**



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A Brief History of Reverse Mortgages



Subsequently-

- **Fannie Mae enters the Reverse Mortgage Market**
 - **The HomeKeeper**
 - **Similar borrower criteria**
 - **More conservative property guidelines**
 - **Higher “Loan Amounts”**
 - **Standardized National Lending Limits**
 - **Easier Execution**



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A Brief History of Reverse Mortgages



Then,

- **Private Sector Adds Options**
 - Proprietary “**Jumbo**” Programs
 - **Similar Borrower Criteria**
 - **More Complex Property Guidelines**
 - **Custom Underwriting**
 - **High-End Spectrum Loans**
 - **Second Homes**



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What truly is a Reverse Mortgage Loan?



A 1st Lien Mortgage that allows borrowers Aged 62 or older to release their primary home's equity with:

- **No Monthly Mortgage Payments**
- **No Income Qualifications**
- **No Credit Qualifications***
- **No Restrictions on How The Funds Are Used**
- **Non-Recourse – NO DEBT left to heirs**



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Payment Options



1. **Monthly Payments (Tenure)** – equal monthly payments for the life of the loan, sent the 1st business day of the month
2. **Monthly Term Payments** – equal monthly payments for a specified period of time, sent the 1st business day of the month
3. **Lump Sum Draw at closing** – A portion or All of the available funds are disbursed after rescission period
4. **Line of Credit** – Available whenever the borrower wants it
5. **Combination** – Any combination of the above options!



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Common Uses of Reverse Mortgages



Funds can be used for any purpose and in any way desired, including:

- **Mortgage Payment Abatement**
- **Supplement Monthly Cash Flow**
- **Home Improvement**
- **Debt Consolidation**
- **Long Term Health Care**
- **Assistance to Family Members**
- **Investment Strategy**
- **Achieve Life Long Goals (I.e. Vacations, 2nd Home, New Car and more...**



When Must A Reverse Mortgage Be Repaid?



Repayment of the Reverse Mortgage is required when:

- **All borrowers no longer live in the property as their primary residence.**
 - **This includes: sale of the property, relocation to another primary residence or death of owners.**
- **The borrowers have not occupied the property for 12 consecutive months**
- **When the youngest borrower turns 150 years old!**

Note:

If death of the owners occurs, the heirs/estate will have approximately 6 – 12 months to repay the loan and/or sell the property



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Reverse Mortgage Fast Fact:



According to AARP:

- In FY 2004, the Reverse Mortgage portion of their website had **300,000** visits
- The AARP RMEP Website has over **100 + pages of information**
- **1.4 Million Page Views** in FY 2004
- AARP has mailed over **100,000 Reverse Mortgage Consumer Guides**



Source: NRMLA Annual Convention, Chicago, Illinois 2004



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Eligibility



- **AGE**
 - All borrowers must be 62 years of age
- **RESIDENCY**
 - All borrowers must occupy the property as their primary residence



Qualifications



- **CREDIT**

- No Credit Assessment Required
- No FICO Score Required
- All Federal Debts Must Be Paid (Can use proceeds to pay)

- **HEALTH**

- No Health Requirements

- **INCOME**

- No Income Requirements

- **DOCUMENTATION**

- Social Security Number Verification
- Date of Birth Verification
- Pictured I.D.



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Reverse Mortgage Fast Fact:



According to Industry Estimates:

“Over 90% of Senior who have completed Reverse Mortgage Counseling actually apply for a Reverse Mortgage Loan”



Property



- **TYPES**

- Single Family, Condo's, Townhomes
- 2-4 Units
- Manufactured & Modular Homes

- **CONDITION**

- Repairs
- Inspections
- Certifications
- Treatments



Property



- **VALUATION**
 - **FHA Appraisal**
 - **VC Repairs**
 - **“FANNIE MAE APPRAISAL”**
 - **Home Inspection**
- **TAXATION**
 - **REAL PROPERTY**
 - **Taxes Current**



Ownership



- **LEGAL STATUS**
 - Fee Simple/Leasehold
 - Living Trust
 - Land Trust
 - Vesting
 - Title
 - POA, Guardian, Conservator
 - Life Estate



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Another Perspective



“I am not prepared for this....my aging parents need my financial support....with college tuition for my children, house payments and car payments, there just isn't enough to take on this additional responsibility – I need an alternative to allow for my parents to continue to live in their home and maintain their quality of life.”



Reverse Mortgage Fast Fact



7,918 people will turn **62** years old each day in 2008.

That equates to a total of **2,890,000** in 2008.

Or in other words, **330** people each and every hour of each day in 2008, will turn 61 years of age!



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Source: US Census Bureau, Press Release #CB06-FFSE.01-2, January 3, 2006

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The Reverse Mortgage Market



- ♣ **1 in 5** Americans is now over 55 and this market is **GROWING!**
- ♣ **34.5 million senior households**
 - ♣ 80% are over 62 years old and own their home (US Census)
 - ♣ 60% of market is 65 -70
 - ♣ 85% want to remain in home (AARP study)
- ♣ **\$2+ trillion in home equity**
- ♣ Seniors' **Interest in Reverse Mortgages has doubled** since 1999 and actual loan production has grown exponentially
- ♣ Fannie Mae studies show **90+% satisfaction rate** with Reverse Mortgages



Senior Population Growth is Enormous



- **In 1900, approx:
35 Million Seniors**
- **By 2030, approx.
70 Million Seniors**

(approximately 20% of total US population)

Growing Senior Concerns:

- **Desire to “Age in Place”**
- **Need for In-Home & Long-Term Care**
- **Risk of Institutionalization and Neglect due to lack of sufficient funds**



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What's A Typical Transaction Flow?



The transactional.

The information gathering, decision workflow is similar to “Forward” Mortgage Lending making cycles and adaptation timeframes are distinctly different.

Oh by the way, did we mention the children?



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Reverse Mortgage Fast Fact:

The Internet is a valuable resource for Seniors and Their Children who are seeking information about Reverse Mortgage Loans.

“One of the best methods to increase Reverse Mortgage loan production is to let people know that you have access to Reverse Mortgage Loans ! ! !”



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The Next Question...



Are There Other Considerations To Do Business?

1. Specialized Staffing Needs
2. Unique Process and Work Flows
3. Limited Wholesale Access
4. Training, Education and Resource Concerns
5. Recruiting – Special Skill Set for Success



Reverse Mortgage Lenders

While this list is not totally inclusive, the following lenders are considered to be among the major players providing access to Reverse Mortgage Loans:

1st Reverse Financial Services (a sub. of Family Federal Savings of IL) www.1streverse.com	Everbank Reverse Mortgage (Everbank) www.bnyreverse.com
Wells Fargo Home Mortgage www.wellsfargo.com	Countrywide Home Loans www.cwbc.com
Seattle Mortgage/BofA www.scmreverse.com	Financial Freedom Senior Funding Corporation www.financialfreedom.com



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Another Perspective



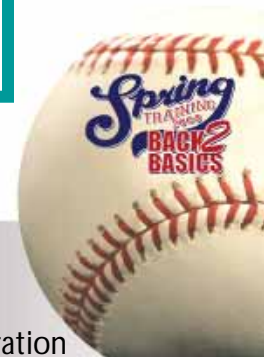
“I am not prepared for this....my aging parents need my financial support....with college tuition for my children, house payments and car payments, there just isn’t enough to take on this additional responsibility – I need an alternative to allow for my parents to continue to live in their home and maintain their quality of life.”



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Reverse Mortgage Fast Fact



“ Traditional Marketing Methods Do Not Generate the Same Response Rates for Reverse Mortgage Loans.”



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In Conclusion

- **A Reverse Mortgage is not necessarily appropriate for all borrowers or situations**
- **But a vast and growing number of individuals can benefit from Reverse Mortgage Loans**
- **Access for lenders is somewhat limited at this time**



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Should Your Company Consider Adding Reverse Mortgages as a Service?



- **1,485 people turned 62 Years of age since you left home this morning...**
- **There are very few other loan programs that have that many new potential customers coming down the pipeline!**



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