

# NRMLA's Virtual Summer Meeting

July 13-14, 2021



**NRMLA**  
NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

# WHAT ARE YOUR MISSING PIECES?

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- \*KEY CONCEPTS
  - \*KEY DISCLOSURES
  - \*RIGHT REFERRAL PARTNERS
  - \*DOING MORE THAN QUALIFYING
  - \*ADVANCED TOPICS
  - \*ASKING THE RIGHT QUESTIONS
-



**ARE WE  
EDUCATING  
CLIENTS ON  
THE KEY  
CONCEPTS?**



# Borrower Responsibilities

- Occupy the property as their primary residence
- Maintain the home in good repair
- Pay all property charges when they are due



# Fixed VS Adjustable

## Fixed Rate

- Closed end loan
- One time draw



## Adjustable Rate

- Borrower sensitivity
- Funds can be drawn in multiple ways
  - Cash out
  - Term payment
  - Tenure payment
  - Line of credit
  - Combination

# What causes a HECM to mature?

The loan matures when the borrower (or last surviving borrower) does one of the following:

- \*Passes away
- \*Sells the home
- \*Transfers the title to the property
- \*Fails to live in the property as their primary residence
- \*If absence is due to a physical or mental illness, and exceeds the 12 months (nursing home stay)
- \*Fails to pay property charges
- \*fails to maintain the property or allows it to fall into disrepair



# What happens at maturity?

## Due and payable letter

- Communicate! Within 30 days in writing
- Communicate! Request extension
- Communicate! Request extension



# What is due back at the end of the loan?

<u>Scenario</u>	<u>HECM Loan Satisfaction</u>
Traditional sale of the home - (HUD 4330 Ch13-29A)	<u>Debt or home value</u>
Loan is due and payable - (HUD 4330 Ch13-29B)	<u>Debt or 95% home value</u>
Heirs wish to keep the home - (FHA Info #13-36) Note: HUD considers any "post-death conveyance" or transfer of title to qualify as a "sale." <ul style="list-style-type: none"><li>• <b>If no post-death transfer</b></li><li>• <b>If post-death transfer</b></li></ul>	<u>Full loan balance</u> <u>Debt or 95% home value</u>







**ARE WE  
EDUCATING  
CLIENTS ABOUT  
KEY  
DISCLOSURES?**

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# Total Annual Loan Cost (TALC)

Two unknowns: Loan Term and Appreciation Rate

## LOAN TERMS

Age of Youngest Borrower:	77
Appraised Property Value:	\$500,000.00
Interest Rate:	2.205%
Monthly Advance:	\$0.00
Initial Advance:	\$0.00
Initial Line Of Credit:	\$170,466.00

## INITIAL LOAN CHARGES

Mortgage Insurance Premium:	\$10,000.00
Closing Costs:	\$11,034.00
Annuity Cost:	\$0.00

## MONTHLY LOAN CHARGES

Servicing Fee:	\$0.00
Mortgage Insurance:	0.50% annually

## OTHER CHARGES

Shared Appreciation:	None
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## REPAYMENT LIMITS

Net proceeds estimated at 93% of projected home sale

## LIFE EXPECTANCY SET-ASIDE

LESA Amount:	\$0.00
Semi-Annual Disbursement:	\$0.00

## Total Annual Loan Cost Rate

Assumed Appreciation Rate	Disclosure Period (Years)			
	2 Year	6 Year	11 Year	15 Year
0%	8.415%	4.597%	3.748%	3.478%
4%	8.415%	4.597%	3.748%	3.478%
8%	8.415%	4.597%	3.748%	3.478%

*The TALC shows a downward-sloping annual rate because when you stay in the home longer, the initial costs are spread out over a longer time period.*

# Amortization Schedule

- Projects loan balance, LOC, and equity position
- Extended to age 100 or a min of 5 years

*This disclosure allows us to make future projections about your loan, including the interest accrual and mortgage insurance accrual over the life of the loan.*

## Amortization Schedule - Annual Projections

Borrower Name/Case Number:	<b>Test Borrower /</b>	Refinance:	<b>No</b>
Age of Youngest Borrower:	<b>77</b>	Beg. Mortgage Balance:	<b>\$121,034.00</b>
Interest Rate (Expected / Initial):	<b>3.595% / 2.205%</b>	Expected Appreciation:	<b>4.000%</b>
Maximum Claim Amount:	<b>\$500,000.00</b>	Initial Line Of Credit:	<b>\$170,466.00</b>
Initial Principal Limit:	<b>\$291,500.00</b>	Monthly Payment:	<b>\$0.00</b>
Initial Advance:	<b>\$0.00</b>	Monthly Servicing Fee:	<b>\$0.00</b>
Lien Payoffs with Reverse Mortgage:	<b>\$100,000.00</b>	Mortgage Insurance (MIP):	<b>0.50%</b>
Financed Closing Costs:	<b>\$21,034.00</b>	Life Expectancy Set-Aside:	<b>\$0.00</b>
Initial Property Value:	<b>\$500,000.00</b>	LESA Semi-annual Disbursement:	<b>\$0.00</b>

NOTE: Actual interest charges and property value projections may vary from amounts shown. Available credit will be less than projected if funds are withdrawn from a line of credit (LOC). Additionally, the Cash Payment column below reflects annual disbursements from both a LOC and a LESA, if applicable.

Yr	Age	SVC Fee	Annual Totals				End of Year Projections			
			Cash Payment	MIP	Rate	Interest	Loan Balance	Line Of Credit	Property Value	Equity
1	77	\$0	\$0	\$617	3.595%	\$4,434	\$126,084	\$177,579	\$520,000	\$393,916
2	78	\$0	\$0	\$642	3.595%	\$4,619	\$131,346	\$184,989	\$540,800	\$409,454
3	79	\$0	\$0	\$669	3.595%	\$4,812	\$136,826	\$192,708	\$562,432	\$425,606
4	80	\$0	\$0	\$697	3.595%	\$5,012	\$142,536	\$200,749	\$584,929	\$442,394
5	81	\$0	\$0	\$726	3.595%	\$5,221	\$148,483	\$209,126	\$608,326	\$459,843
6	82	\$0	\$0	\$757	3.595%	\$5,439	\$154,679	\$217,852	\$632,660	\$477,980
7	83	\$0	\$0	\$788	3.595%	\$5,666	\$161,134	\$226,943	\$657,966	\$496,832
8	84	\$0	\$0	\$821	3.595%	\$5,903	\$167,857	\$236,413	\$684,285	\$516,427
9	85	\$0	\$0	\$855	3.595%	\$6,149	\$174,861	\$246,277	\$711,656	\$536,794
10	86	\$0	\$0	\$891	3.595%	\$6,406	\$182,158	\$256,554	\$740,122	\$557,964
11	87	\$0	\$0	\$928	3.595%	\$6,673	\$189,759	\$267,259	\$769,727	\$579,968
12	88	\$0	\$0	\$967	3.595%	\$6,951	\$197,677	\$278,411	\$800,516	\$602,839
13	89	\$0	\$0	\$1,007	3.595%	\$7,241	\$205,926	\$290,029	\$832,537	\$626,611
14	90	\$0	\$0	\$1,049	3.595%	\$7,544	\$214,518	\$302,131	\$865,838	\$651,320
15	91	\$0	\$0	\$1,093	3.595%	\$7,858	\$223,470	\$314,738	\$900,472	\$677,002
16	92	\$0	\$0	\$1,139	3.595%	\$8,186	\$232,795	\$327,871	\$936,491	\$703,696
17	93	\$0	\$0	\$1,186	3.595%	\$8,528	\$242,508	\$341,552	\$973,950	\$731,442
18	94	\$0	\$0	\$1,236	3.595%	\$8,884	\$252,628	\$355,804	\$1,012,908	\$760,281
19	95	\$0	\$0	\$1,287	3.595%	\$9,254	\$263,169	\$370,651	\$1,053,425	\$790,255
20	96	\$0	\$0	\$1,341	3.595%	\$9,641	\$274,151	\$386,117	\$1,095,562	\$821,411
21	97	\$0	\$0	\$1,397	3.595%	\$10,043	\$285,590	\$402,229	\$1,139,384	\$853,794
22	98	\$0	\$0	\$1,455	3.595%	\$10,462	\$297,507	\$419,013	\$1,184,959	\$887,452
23	99	\$0	\$0	\$1,516	3.595%	\$10,898	\$309,921	\$436,497	\$1,232,358	\$922,437

# Loan Comparison

- Show multiple options
- Demonstrate LESA?

*There are multiple products and features available under FHA's reverse mortgage insurance program. This document will allow you to compare the rate structure and available funds for multiple options.*

## Reverse Mortgage Comparison

From: Dan Hultquist, Fairway Independent Mortgage Corporation  
Phone: 404-992-7798

Estimates For: Test Borrower (1/1/1945)

Closing Date: 9/10/2021 (estimate)

Rates and Fees	CMT Monthly 10	Mthly Max5 CMT	CMT Annual L
Margin	2.125%	2.250%	3.250%
Initial Interest Rate	2.205%	2.330%	3.330%
Expected Interest Rate	3.595%	3.720%	4.720%
Annual Mortgage Insurance Rate	0.50%	0.50%	0.50%
Cap on Interest Rate	12.205%	7.330%	8.330%
Initial Line of Credit Growth	2.705%	2.830%	3.830%

### Calculation

Home Value	\$500,000.00	\$500,000.00	\$500,000.00
Maximum Claim Amount	\$500,000.00	\$500,000.00	\$500,000.00
<b>Principal Limit</b>	<b>\$291,500.00</b>	<b>\$288,000.00</b>	<b>\$260,500.00</b>
- Initial Mortgage Insurance Premium	\$10,000.00	\$10,000.00	\$10,000.00
- Origination Fee	\$6,000.00	\$6,000.00	\$6,000.00
- Other Costs	\$5,034.00	\$5,034.00	\$5,034.00
+ Credits	\$0.00	\$0.00	\$0.00
<b>Remaining Principal Limit</b>	<b>\$270,466.00</b>	<b>\$266,966.00</b>	<b>\$239,466.00</b>
- Liens and Mortgages	\$100,000.00	\$100,000.00	\$100,000.00
- Repair Set Aside	\$0.00	\$0.00	\$0.00
<b>Property Charge Set Aside</b>	<b>Not Required</b>	<b>Not Required</b>	<b>Not Required</b>
First Year Property Charge Set Aside	\$0.00	\$0.00	\$0.00
Additional Property Charge Set Aside	\$0.00	\$0.00	\$0.00
- Total Property Charge Set Aside	\$0.00	\$0.00	\$0.00
<b>Total Mandatory Obligations</b>	<b>\$121,034.00</b>	<b>\$121,034.00</b>	<b>\$121,034.00</b>
% of Principal Limit	41.53%	42.03%	46.47%
<b>Initial Disbursement Limit</b>	<b>\$174,900.00</b>	<b>\$172,800.00</b>	<b>\$156,300.00</b>
% of Principal Limit	60.00%	60.00%	60.00%
<b>Available Principal Limit</b>	<b>\$170,466.00</b>	<b>\$166,966.00</b>	<b>\$139,466.00</b>

# Security Deed (Lender/HUD)

- Recorded with the county
- Why a Maximum Amount?
- How much is recorded?

## ADJUSTABLE RATE HOME EQUITY CONVERSION SECURITY DEED

THIS SECURITY DEED ("Security Instrument") is given on **September 10, 2021**. The grantor is , whose address is **123 Main Street, Holly Springs, Georgia 30115** ("Borrower"). Borrower is a grantor who is an original borrower under the Loan Agreement and Note. The term "Borrower" does not include the Borrower's successors and assigns. Grantor is an original Grantor under this Security Instrument. The term "Grantor" includes Grantor's heirs, executors, administrators, and assigns. This Security Instrument is given to **Fairway Independent Mortgage Corporation** which is organized and existing under the laws of **Texas**, and has an address of **4201 Marsh Ln, Carrollton, TX 75007** ("Lender"). Borrower has agreed to repay to Lender amounts which Lender is obligated to advance, including future advances, under the terms of a Home Equity Conversion Mortgage Adjustable Rate Loan Agreement dated the same date as this Security Instrument ("Loan Agreement"). The agreement to repay is evidenced by Borrower's Adjustable-Rate Note dated the same date as this Security Instrument ("Note"). This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest at a rate subject to adjustment (interest), and all renewals, extensions and modifications of the Note, up to a maximum principal amount of **Seven Hundred Fifty Thousand Dollars and Zero Cents (U.S. \$750,000.00)**; (b) the payment of all other sums, with interest, advanced under Paragraph 5 to protect the security of this Security Instrument or otherwise due under the terms of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument, the Note and Loan Agreement. The full debt, including amounts described in (a), (b), and (c) above, if not due earlier, is due and payable on . For this purpose, Borrower and Grantor do hereby grant and convey to Lender and Lender's successors and assigns, with power of sale, the following described property located in **CHEROKEE** County, GEORGIA:

***The first DEED secures the lender's position, while HUD has the second. This ensures that you will continue to receive loan payments if the lender becomes incapable. When the loan is paid off, both security instruments will be released from county records.***



**ARE WE  
WORKING  
WITH THE  
RIGHT  
REFERRAL  
PARTNERS?**

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# Are you working with the right referral partners?

Select referral partners who work the way you work. Interview several and select those you'd like to work with as you build your network.



# Referral Partners

- **Realtors®** (not only reverse for purchase!)
- **Financial Advisors**
- **Attorneys**
  - Divorce
  - Elder Law
  - Estate planning
- **In Home Care Professionals**







# Realtors-What's In It For Them?

- Double their business (a listing becomes a listing and a sale)
- Larger transaction amounts
- How To:
  - Speak at their offices and at conferences
  - Attend conferences
  - Become an affiliate member of the local board of Realtors AND Home Builders Association
  - Write for industry publications
  - [www.sres.com](http://www.sres.com)



# Financial Planners/Advisors- What's In It For Them?

- Protecting assets under management
  - Additional tool for retirement planning
- 
- How To:
    - Speak to their office and at conferences
    - Attend conferences
    - Write for industry publications
    - Illustrate LOC/loc growth as a wealth preservation tool
    - Webinars- partner with them
    - <https://www.napfa.org/> (fee only)
    - <https://www.financialplanningassociation.org/>



# Attorneys-What's In It For Them?

- **Elder/Estate planning**- overall estate planning
  - **Divorce**-solve one of the biggest challenges
- 
- How To:
  - Speak at conferences (local level, too)
  - Ask for warm introductions
  - Write for publications
  - They should be part of your network
  - Focus on the safeguards
  - <https://www.martindale.com/>



# In Home Care Professionals- What's In It For Them?

- You represent a funding source
  - Private pay-
    - Keep current clients
    - Attract new clients
    - Increase services
- How To:
  - Networking groups (older adult focused)
  - Speak at conferences (local level, too)
  - Local agencies and Franchises
  - Educate their staff (address caregiver bias)





**ARE WE  
DOING  
MORE THAN  
QUALIFYING  
CLIENTS?**

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# Are we qualifying clients too early?

Potential borrower calls seeking information about a reverse mortgage.

- O.K. Great let's see if we can do that for you.

What do you think your house is worth?

Do you have a mortgage?

What is the balance of your mortgage?

What is your date of birth?

I will need to pull your credit, what is your social security number?



# How much time is spent on needs assessment?

Ask Additional Questions

Active Listening



# How much time is spent on qualifying questions?

- You want this to be as conversational as possible.
- Most qualifying questions can fit naturally into a conversation.
- Do not run down a list firing off questions





# How much time is spent on product features?

- Are you talking about applicable product features?
- Are you wasting time explaining things that do not apply?
- Are you showing the client exactly what they are looking for?



# What order should things be done?



- Needs Assessment- minimum 5 minutes
- Qualifying- minimum 5 minutes
- Product features- minimum 5 minutes



**ARE WE  
ABLE TO  
ADVISE THE  
CLIENT ON  
ADVANCED  
TOPICS?**

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# Non Borrowing Spouse

- Complex concepts
  - Eligible vs Ineligible NBS
  - Due and payable deferral
  - MOE Assignments
  - Recent changes
- Simple Explanation [*Assuming this is a new application*]

*With a HECM, if you are a non-borrowing spouse who occupies the subject property at application, you may qualify for limited protection after the last borrower dies or permanently moves into a healthcare facility.*

*That protection may allow you to stay in the home and defer repayment until another maturity event occurs.*

# Financial Assessment

- Complex concepts
  - Willingness test
  - Capacity test
  - Life Expectancy Set-Aside (LESA)
- Simple explanation:

*We need to examine your credit history, property charge history, and residual income to make sure we are providing a sustainable solution for you and your family.*

*To ensure sustainability, we sometimes need to set-aside a portion of your principal limit so that we can pay critical property charges on your behalf.*

# Line of Credit Growth

- Complex concepts
  - Organic growth – Current interest rate +0.50%
  - Prepayment growth
  - Servicing waterfall
- Simple explanation

*The HECM LOC is the most popular reverse mortgage payout option because 1) it lets you access your funds whenever it is needed, and 2) the available funds grow in your favor over time. This credit line growth is best described as a greater capacity to borrow more of your equity over time.*



**ARE YOU  
ASKING THE  
RIGHT  
QUESTIONS?**

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# Are We Asking The Right Questions?



- What are you looking to accomplish with a reverse mortgage?
- Does your current home meet your current and future needs?
- Who is your support system as your needs change?
- At this point what is your biggest concern?
- Tell me about your kids? Would they like to be involved?
- Who else is involved in making this decision?
- If we can accomplish A, B, and C, will this allow you to remain in your home comfortably and safely?





# INDUSTRY JARGON

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# Are We Making Things too complex?-Industry Jargon



- Borrowers are not impressed that we know a variety of reverse mortgage terms.
- Makes them skeptical
- What are you hiding
- Instead, use plain easy to understand language and if you must use an industry term, define it. Prepare a few sentences to explain the key concepts, using examples whenever possible.

# Examples

- **Borrower obligations** – Occupy and maintain and pay all property charges
- **Maturity Event**- when the loan generally becomes due and payable.
- Just what does this mean to you? More importantly, what does your borrower think it means?





# SUMMARY AND FINAL THOUGHTS

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