

Targeting the Reverse Mortgage Market

Presented by:

In Touch Today

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“Reverse mortgages have increased by an average of 238% per year and the top 5% of reverse mortgage lenders have accounted for over 70% of the loan volume.” - Sarah Lyons

What We Will Discuss



- What a reverse mortgage is
- How a reverse mortgage works
- Level of involvement in origination process
- Suggested traits of lenders to ensure success



What We Will Discuss



- Who your reverse mortgage audience is
- Six ways to effectively market a reverse mortgage
- Who your potential co-marketing partners are



Reverse Mortgage Definition



A reverse mortgage allows seniors to receive pay-outs in cash or as a line of credit against the equity in their home. They will owe nothing as long as they live in their home.



Who Qualifies for a Reverse Mortgage

- Borrowers must be at least 62 years of age
- Own or have equity in their home
- Both spouses must be 62 when obtaining this loan



How the Loan Amount is Determined



- Client's age
- Home value
- Area
- Type of reverse mortgage desired
- Current interest rates



What Makes This Loan Special



- No credit qualifiers
- No criteria for cash use
- Doesn't interfere with Social Security or Medicare benefits
- Bank doesn't take the home
- Client not affected by negative amortization



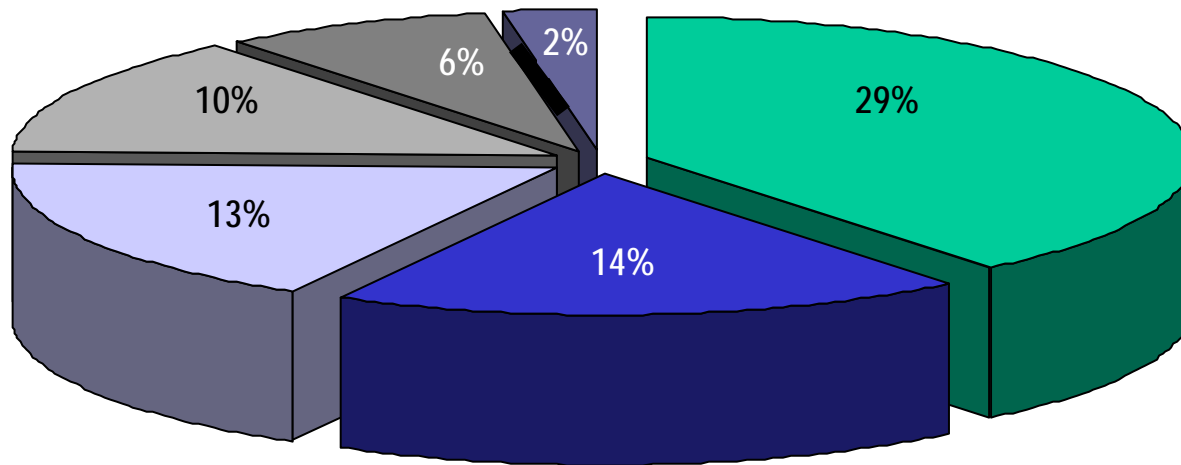
What Makes This Loan Special



- No prepayment penalties
- Tax free loan – loan not earned income
- No loan repayment during client's lifetime
- Change how money disbursed at any time
 - Lump sum
 - Fixed monthly payments
 - Line of credit
 - Combination



How Clients Use the Cash



- Bills
- Income/insurance
- Home repairs
- Healthcare costs
- Estate planning/in home care
- Help family

Three Types of Reverse Mortgages



- FHA Home Equity Conversion Mortgage (HECM)
- Fannie Mae Home Keeper/Home Keeper for Purchase
- Financial Freedom Cash Account



HECM Loan

- Most popular loan type
- Loan limits set at \$200,160 for lower-valued areas and \$362,790 for higher-valued areas
- Fees to originator limited to \$2,000 or 2% of loan amount



Fannie Mae Home Keeper Loan



- Loan limits set at \$417,000
- Fees are similar to HECM
- Use the loan amount towards purchase of new home
- Loan isn't paid back until senior leaves new home



Financial Freedom Cash Account Loan

- No conceivable lending limit
- Minimum home value of \$75,000
- Best suited for homes that appraise over the national average (Fannie Mae's limit)
- Three credit line options – make withdrawals as needed
- Fees are calculated using a home value ladder
 - 2% on first \$500,000
 - 1.5% for next \$500,000
 - 1% for anything additional over \$1,000,000



Level of Loan Origination Involvement

- Choose one of three ways to originate reverse mortgages:
 - Mortgage Advisor
 - Loan Correspondent
 - Fannie Mae Seller/Service



Level of Loan Origination Involvement

- Mortgage Advisor
 - Generates leads
 - Obtains basic client information
 - Prospects' names, dates of birth
 - Address, zip code
 - Amount owed on property (if anything)
 - Property appraisal



Level of Loan Origination Involvement

- Ensures that clients attend a counseling session
- Advises borrowers and answers questions
- Receives a cut of the commission
- Start immediately



Level of Loan Origination Involvement

- Loan Correspondent
 - Determines how much the client can borrow
 - Completes all paperwork
 - Processes, underwrites, funds loan
 - Originates loans – not loan servicing
- Fannie Mae Seller/Servicer
 - Originates, funds and “sells” a reverse mortgage directly to Fannie Mae



Costs to Become Approved



- HUD approval
 - Minimum of \$63,000 net worth
 - \$1,000 application fee
 - Minimum 3 years lending experience
 - Personal and corporate credit reports
 - Confirmation of acceptable funding program (table funding)
- FHA approval
 - \$250,000 minimum net worth
 - Cost as much as \$10,000
 - Recurring annual costs of \$5,000



Suggested Lender Traits



- Patience
 - Product that isn't sold
 - Educating clients and allowing them to take time needed to make decision
- Dedication
 - Consider this main line of business – not sideline
 - Stay abreast of latest developments to retain competitive advantage
- Enjoyment of seniors
 - Truly enjoy working with seniors
 - Helping them change their lives for the better



Your Reverse Mortgage Market



- Prospects/past clients who are 45 years of age and older
- Children of senior parents
- Professional referral sources:
 - CPA's, CFP's
 - Bankers
 - Elder law attorneys
 - Realtors



How to Reach Prospects

- Obtain a mailing list from a list service or your title company
- Narrow your focus using these parameters:
 - Age
 - Years at residence
 - Current loan balance
 - Communities that cater to the retired
- Send information frequently and consistently
- Offer clients who are 45+ shorter term loan products with a reverse mortgage as the ultimate goal



How to Reach Past Clients and Children of Seniors



- Call past clients to tell them about this program and its benefits
- For older clients ask if:
 - They would like more information
 - They know of others who would benefit
- For younger clients ask if:
 - They have parents who would benefit
 - They know of others who would benefit
- Send letters with informational brochures and articles about reverse mortgages to keep message in front of these valuable referral sources



How to Reach Professional Referral Sources



- Provide educational sessions to outline how product works
- Provide handouts, articles and brochures that explain product and process basics
- Partner with Fannie Mae and provide educational sessions that award CEU credits



Six Ways to Effectively Market Reverse Mortgages to Consumers



1. Direct mail
2. Advertisements
3. Radio spots
4. Brochures
5. Seminars
6. Web sites



Direct Mail Marketing Tips

- Use a larger font that is legible and easy to read
- Choose a campaign that has at least 12 cards
 - Mail something once a month
 - Include photo, logo, contact information



Direct Mail Marketing Tips

- Offer something of value to entice prospects to call such as:
 - Brochures, articles, special reports
 - Educational seminars
 - Reduced cost appraisal
 - Book
 - Access to a fix-it guy



Advertisement and Media Tips



- Advertise in:
 - Free senior publications
 - Thrifty nickel or community newspaper
 - Religious publications
 - Ethnic group publications



Advertisement and Media Tips



- Ensure design is clean and simple
- Make text easy to read
- Use clear, simple terms
- Target radio stations that cater to older listeners
- Bus benches



Brochure Tips

- Personal brochures:
 - Introductions for prospects and professional referral sources
- Informational brochures:
 - Basic information about reverse mortgages and process



Brochure Tips

- Obtain brochures from:
 - Your marketing company (In Touch Today)
 - Correspondent lender
 - AARP
 - Fannie Mae
 - NRMLA



Brochure Tips

- If you write/design these yourself:
 - Print on a glossy paper that folds cleanly
 - Keep the design simple and thematically repeated
 - Use white space appropriately



Seminar Tips



- Hold adult education courses at:
 - Local colleges
 - Libraries
 - Senior and/or community centers
 - Churches/temples
 - Adult education courses
- Civic clubs such as:
 - Elks
 - Kiwanis
 - Veterans organizations



Web Site Tips

- Construct a web site that caters to reverse mortgages
- Give option for user to increase/decrease font size (see AARP web site for example)
- Provide links to resources and more information



Web Site Tips

- Affiliate with elder care attorneys, CPAs and CFPs and provide links to their web sites
- Include calculators to give users an idea of how much they would qualify for
- Likely that children of seniors will use the web for research



Web Site Tips

- Name/contact information added to web sites such as:
 - HECM
(www.hud.gov/ll/code/llplcrit.html)
 - NRMLA
(www.reversemortgage.org/)
 - HUD
(www.hud.gov/ll/code/llplcrit.html)



Co-marketing Partners



- Elder care attorneys
- CPAs, CFPs
- Bankers



Co-marketing Opportunities



- Co-marketing ideas include:
 - Co-authored letters that include brochures, articles or other information
 - Focus on long-term care options
- Seminars
 - Hold panel discussion seminars and invite attorneys, CPAs, CFPs to participate
- Exhibit at housing fairs and community events
 - Present an educational session



Key Take Aways



- Gives seniors access to money with no need to pay it back during their lifetime
- Receive payouts in lump sum, monthly payments or line of credit
- Borrowers must be at least 62 years of age
- The loan amount is determined by client's age, home value, where home is, type of mortgage desired, current interest rates



Key Take Aways



- Tax free loan with no credit or cash use qualifiers
- Three loan types: HECM, Home Keeper and Financial Freedom
- As a lender you can choose to participate as a: mortgage advisor, loan correspondent or Fannie Mae seller/servicer
- When working with seniors, you will succeed if you have patience, dedication, enjoyment of working with seniors



Key Take Aways



- Target past clients, prospects, children of senior parents, professional referral sources
- Use a variety of marketing methods including: direct mail, advertising, seminars, brochures, media and web sites
- Co-market with professional referral sources to increase credibility of offer to skeptical seniors



Thank You!



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