

Reverse Mortgages

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Ginnie Demand Outstrips Originations

By Brad Finkelstein



Among the hot-button topics discussed at the recent National Reverse Mortgage Lenders Association Roadshow in Atlanta is the state of the Ginnie Mae securitization program, said a participant on a panel on the subject.

Bob Yeary, chief executive of Reverse Mortgage Solutions, Spring, Texas, said the market for the Ginnie Mae HMBS is growing such that demand is outstripping origination volume.

Speaking in an interview after the conference, Mr. Yeary noted the Home Equity Conversion Mortgage business "is off a little bit, but then again so is all lending." The Department of Housing and Urban Development cutting the amount of proceeds the borrower can receive by 10% has hurt volume, he said. But the HMBS portion of the business continues to grow.

Ginnie Mae is keeping a watchful eye on the issuers, RMS being one of seven in the country, he said later. This is because of the risks inherent in the program for servicers.

"We spend a lot of time focusing on reserves...because there are going to be some losses on these loans because of the way the program is constructed," he said. Unlike a forward FHA loan that goes to foreclosure, the servicer on reverse mortgage foreclosure is responsible for marketing the property in a six-month timeframe.

There is also a concern about tax and insurance related defaults. NRMLA has a position paper submitted to HUD and is waiting to hear from the agency to gain some clarity regarding foreclosures and/or having these loans assigned to FHA.

Being liable for liquidating the property leaves the servicer open to some losses.

Another issue of concern is the negative press the reverse mortgage business has received. Mr. Yeary said the NRMLA executive board sees the need for a public affairs effort that will be rolled out soon.

He suggested that one of the driver's of the public effort is some of the proposed legislation or new laws like the one in California, many of which mirror safeguards already put in place by the Department of Housing and Urban Development. If legislators understood the program, there might not be these proposals.

A focus of this Roadshow, as well as the others in the series (Philadelphia in April and Irvine, Calif., in July), is NRMLA looking to teach the members what all of the different components of the reverse mortgage business are about, he said.

The underlying current of the meeting is NRMLA's code of ethics. "I have been in the business for over 40 years and I have never been around a group of people who are so focused on treating the customer right," Mr. Yeary said, adding the aim is to make sure as a trade association all of the members are following the code of ethics.

"Let's face it, when you are dealing with seniors, one bad actor can stir up a whole bunch of stuff that can have a negative effect on the program," he continued.

Mr. Yeary also noted the passing of a milestone, that reverse mortgages now have a market share penetration of greater than 1% of the eligible population.

"We're all very optimistic this program will continue to be a viable alternative for a lot of seniors."

Right now there is no alternative to the HECM in the market place, and Mr. Yeary believes there is a need for a proprietary program.