

- **Agenda**

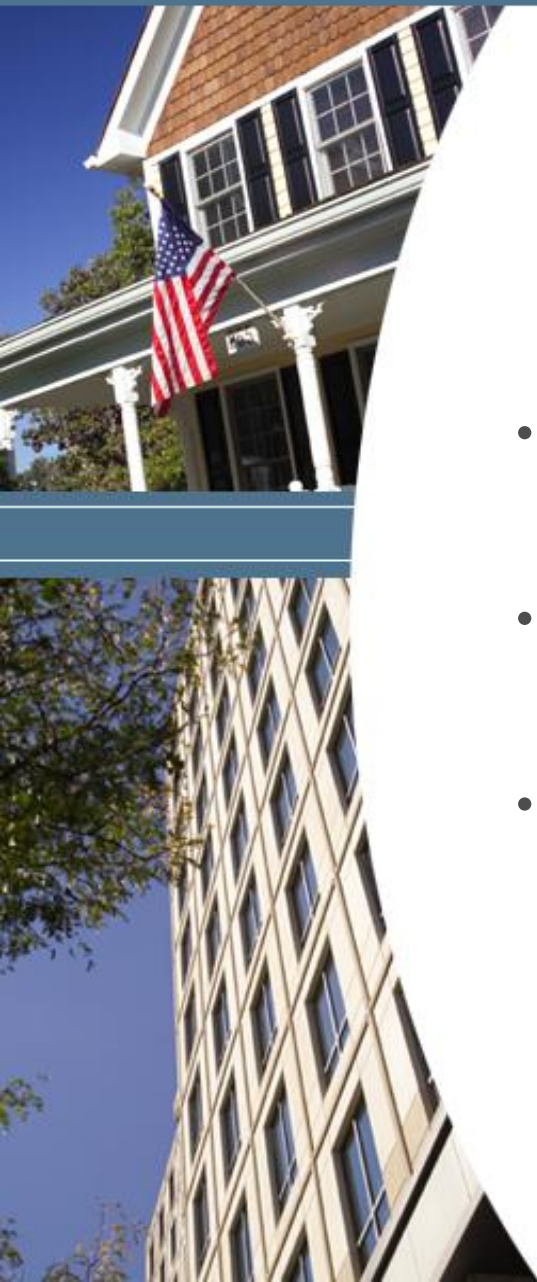
- » **Introductions**

- » **Presentations**

- » **Questions and Answers**

• Panel

- » **Jeffrey Taylor, CMB – Vice President, Senior Products Group, Wells Fargo Home Mortgage**
- » **Justin Burch – Senior Mortgage Banking Analyst, Ginnie Mae**
- » **Rebecca Major – Operations Manager, Wells Fargo**
- » **Moderator – Robin Belanger, R. M. Belanger & Associates**

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- **Session Overview**
 - **Reverse Mortgages in the Private Arena**
 - **Reverse Mortgages – Ginnie Mae**
 - **Custodial Requirements for Reverse Mortgages**



Moving Forward in Reverse

A Snapshot of the U.S. Reverse Mortgage Industry

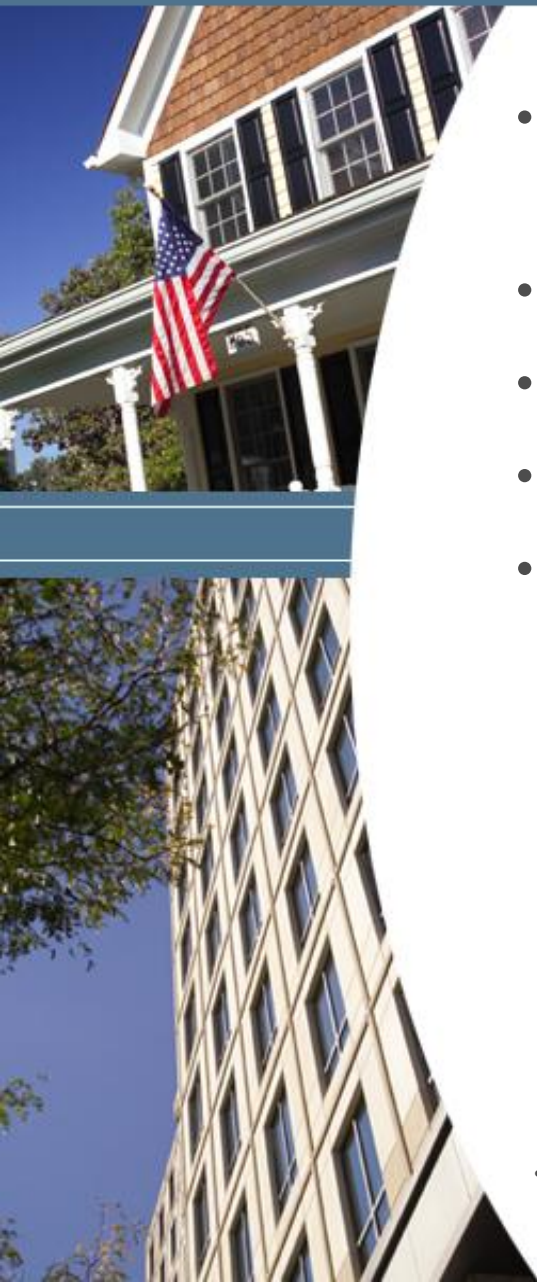
Jeffrey S. Taylor, CMB

VP, Senior Products Group

Wells Fargo Home Mortgage

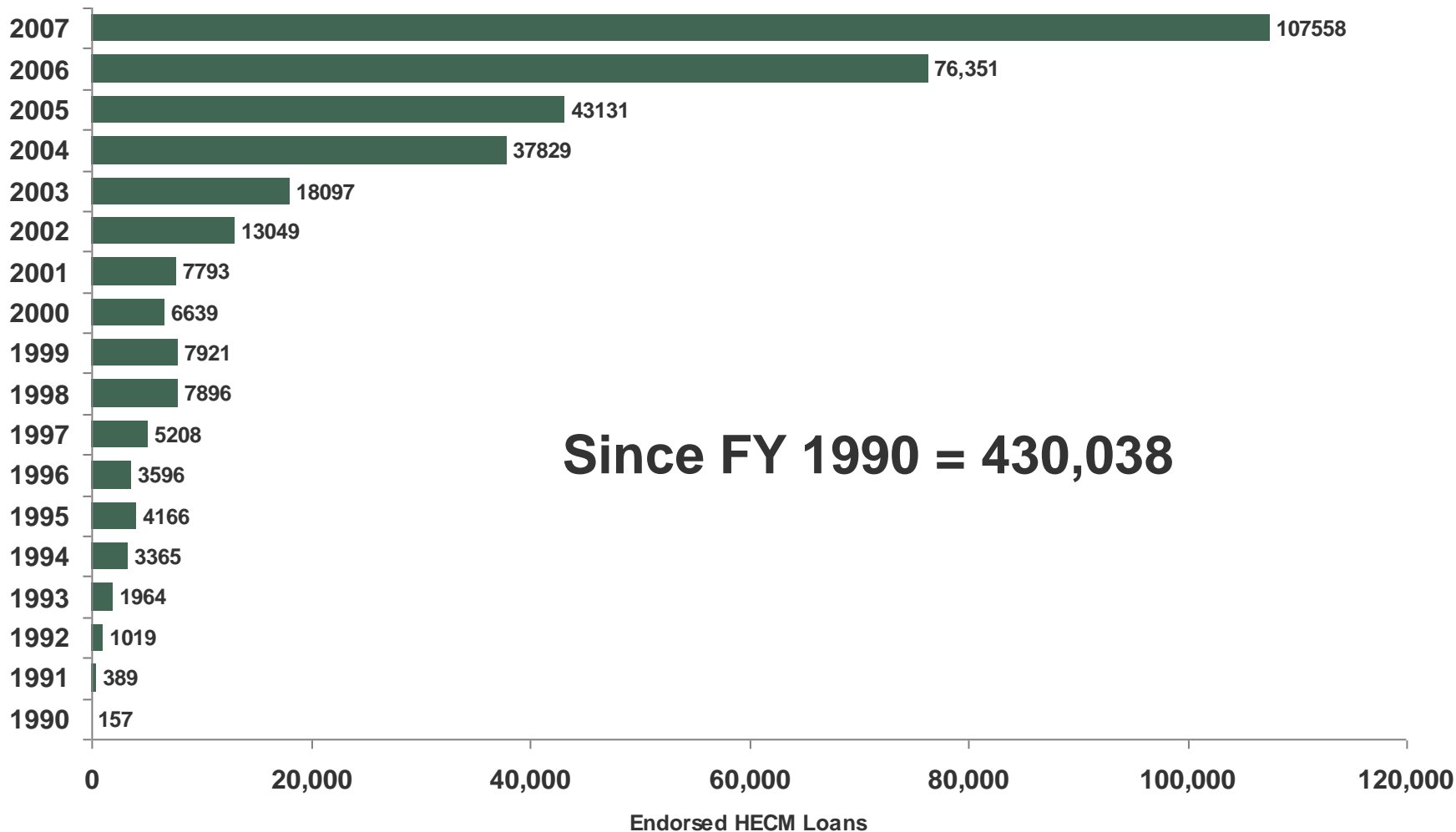


What is the Reverse Mortgage Opportunity?

- 
- \$37 Trillion in senior home equity by 2030 (based on 4.7% annual home price appreciation)
 - \$5.09 Trillion in senior home values
 - \$4.28 Trillion in senior home equity
 - \$230,000 average senior home equity
 - 1% penetration rate of eligible seniors

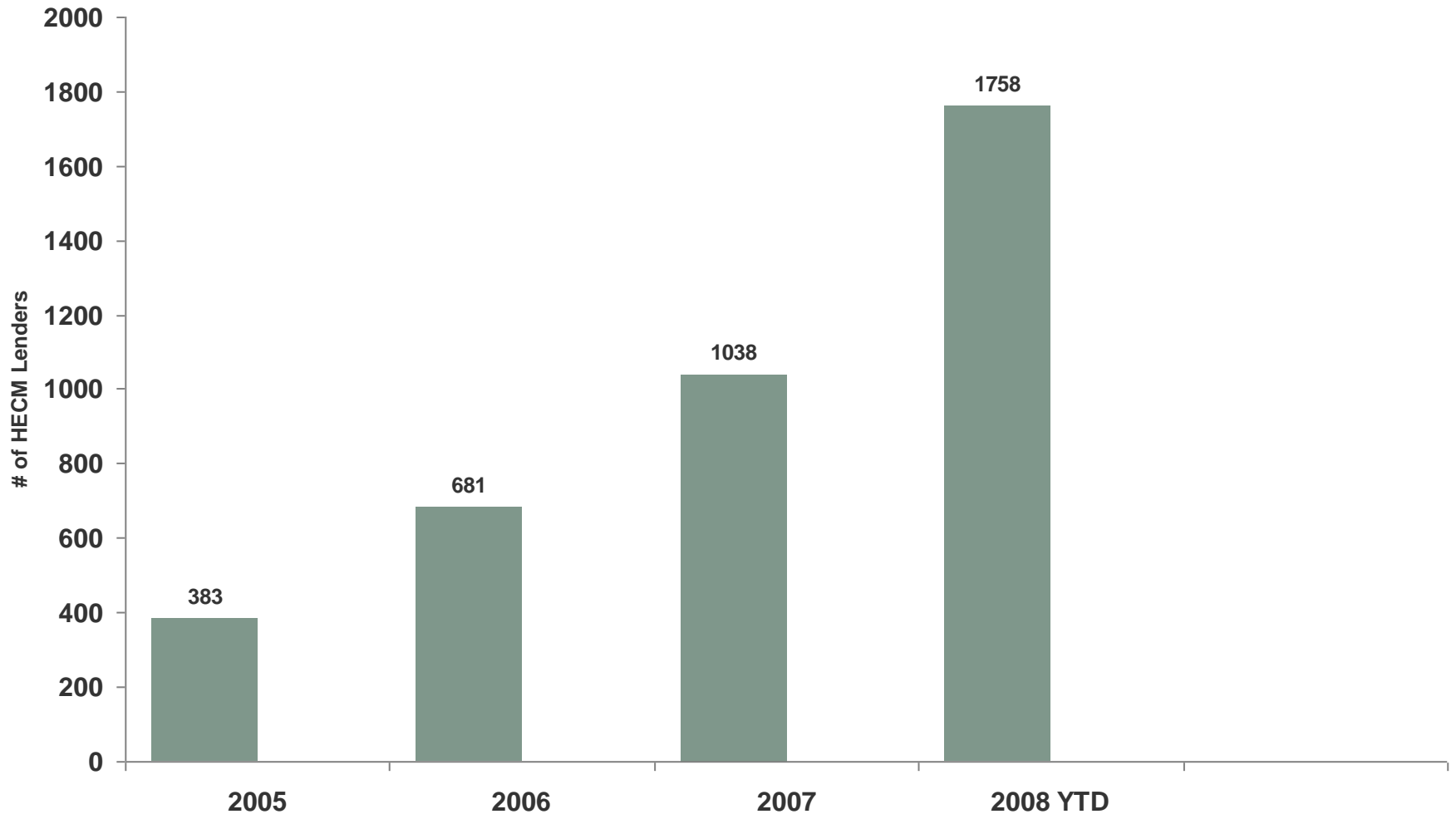
•Source: National Reverse Mortgage Lenders Association (NRMLA)

HECM Endorsement Growth: FY 1990 – FY 2008



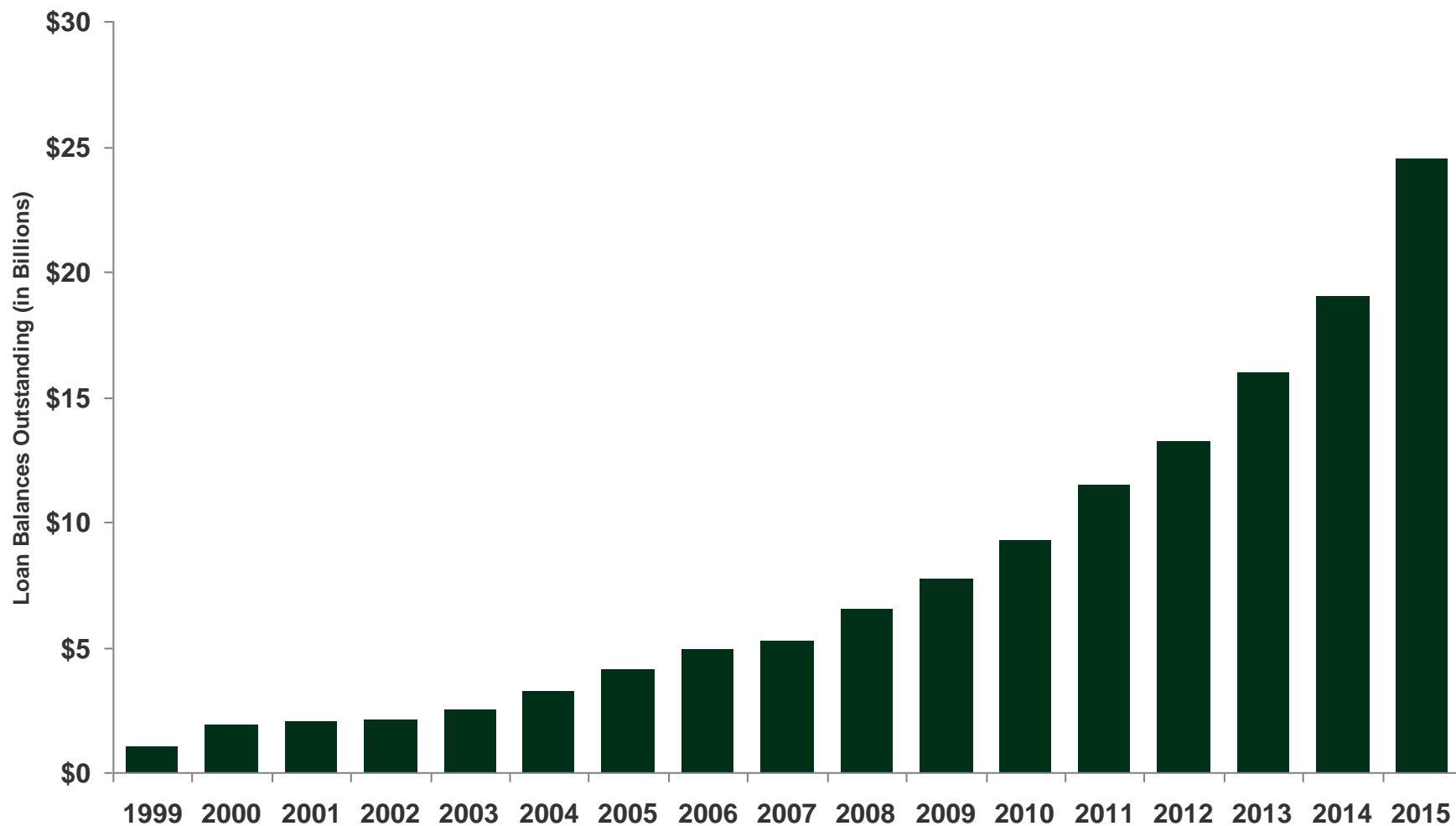
Source: HUD, as of 6/30/2008

HECM Lender Growth: 2005 - 2008



Source: HUD

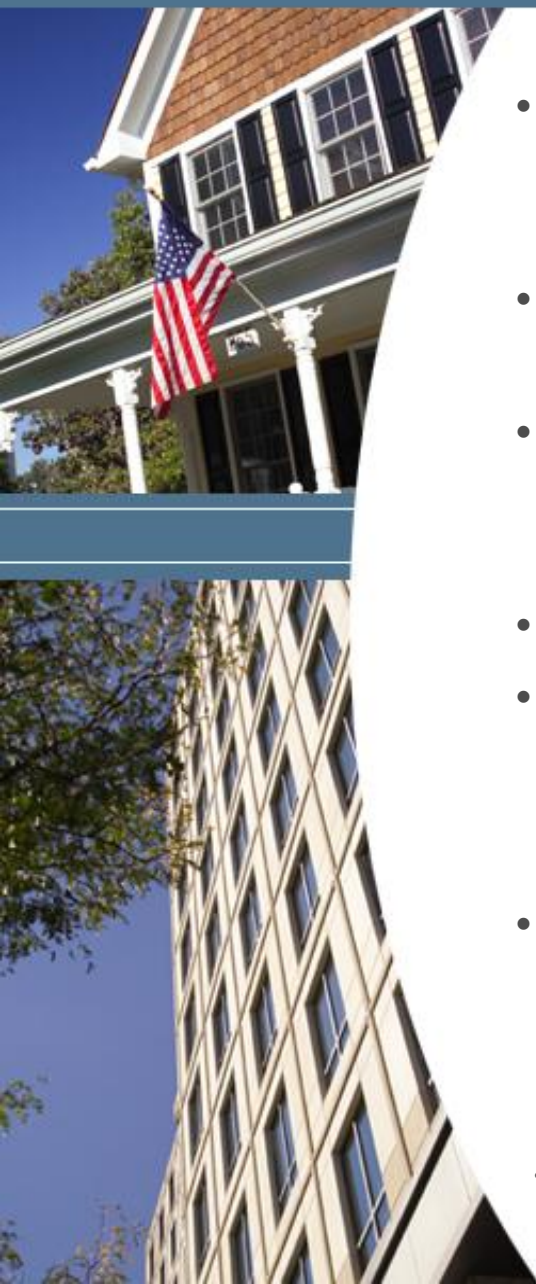
Projected HECM Volume Growth: 1999 - 2015



Source: FHA/VA/USDA Government Housing Finance
Conference, May 31-June 1, 2006, Washington DC

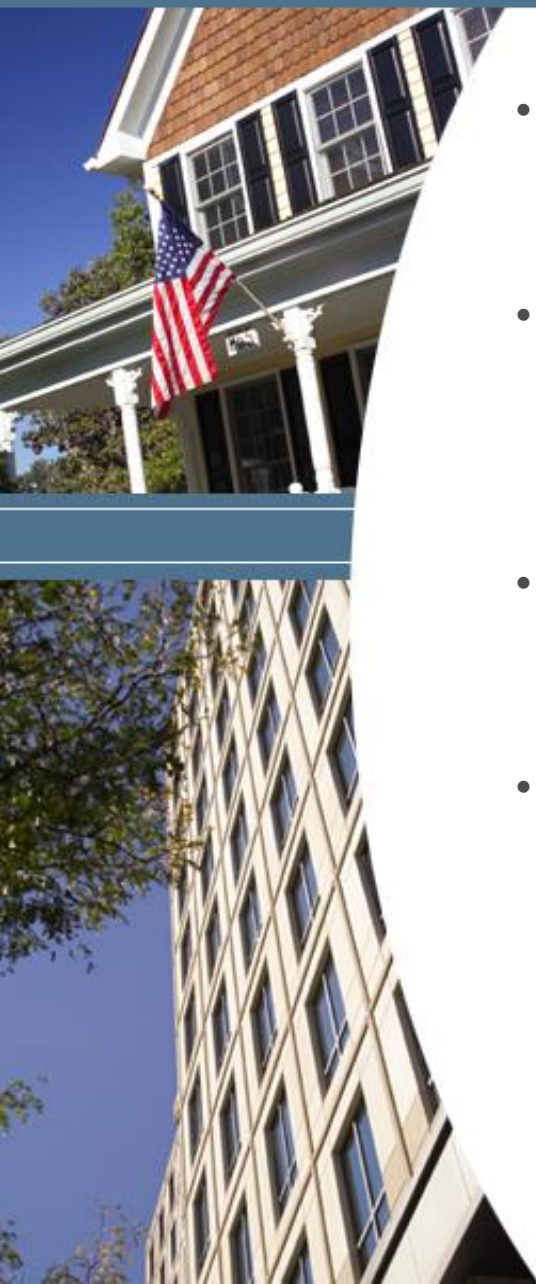
“Reverse Mortgages: Niche Product or Mainstream Solution?”

AARP Study, December 2007



- 93% of borrowers in the survey by AARP report that their reverse mortgages have had a mostly positive effect on their lives
- 63% of borrowers said they would be “very likely” to recommend a reverse mortgage to a friend
- Most borrowers are using a reverse mortgage proceeds to pay for necessary costs – 19% used proceeds to retire an existing mortgage
- Slight shift towards use as financial planning tool
- Increasing awareness of reverse mortgages
 - » 70% of consumers 45 and older said they were aware of program
 - *Up from 51% in AARP Study in 1999*
- Yet, overall consumer knowledge and confidence in and about reverse mortgages remains low

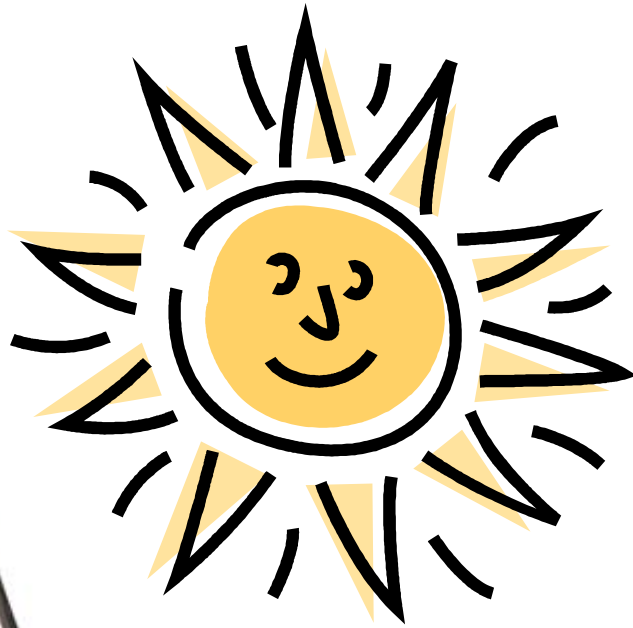
•Source: AARP

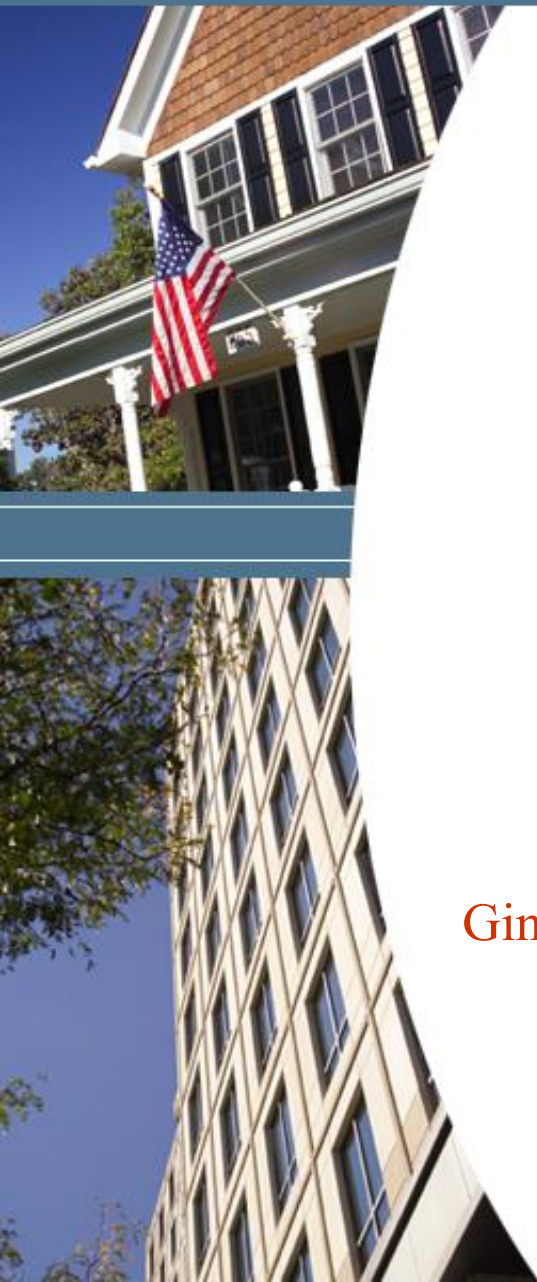


- New Products
 - » HECM Fixed
 - » HECM LIBOR
- New Investors
 - » GNMA – HECM MBS
 - » Life Insurers
 - » Wall Street Firms
- New Loan Servicing Technology
 - » Private label sub-servicing options
 - » Direct access to investors leveraging technology
- Increasing oversight and proposed regulations
 - » Local, state and federal impacts
 - » Pressure from consumer protection groups
 - » FHA Modernization



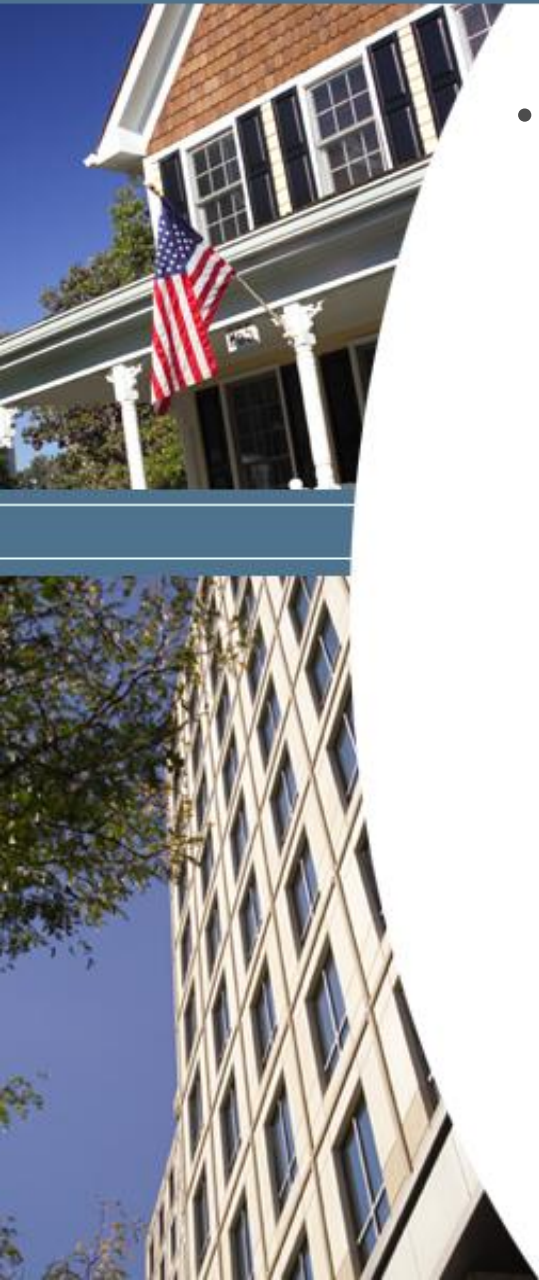
- Mortgage lenders can assist in the growth of this market but must do everything to prevent consumer abuse.
- New and existing mortgage lenders entering this space must be ethical and protect the consumer from unethical sales proposals and follow the rules



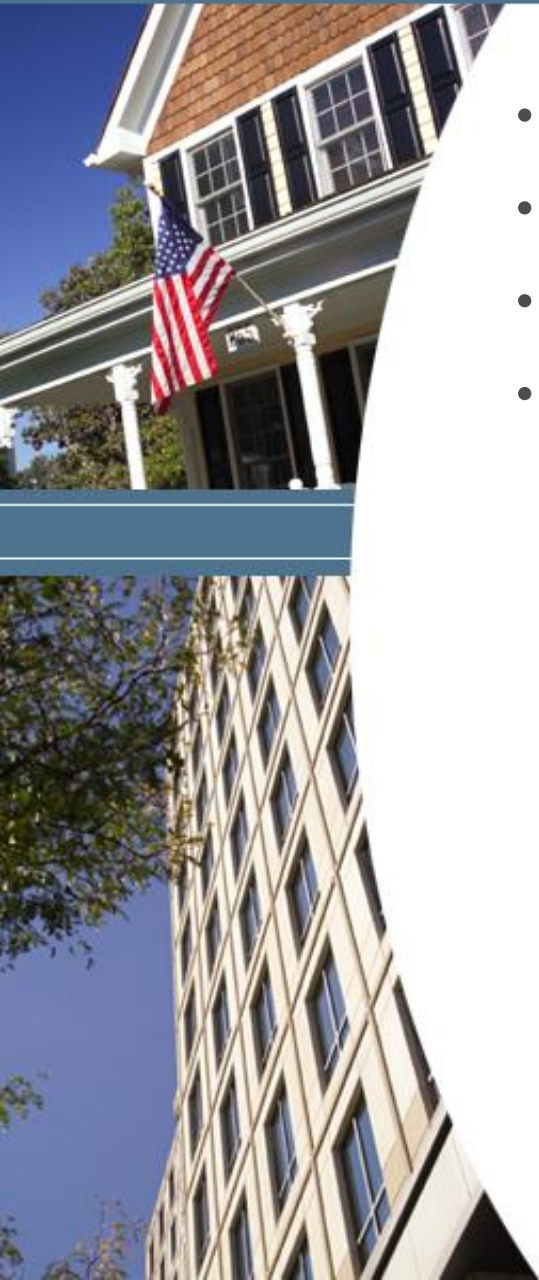


HMBS Overview

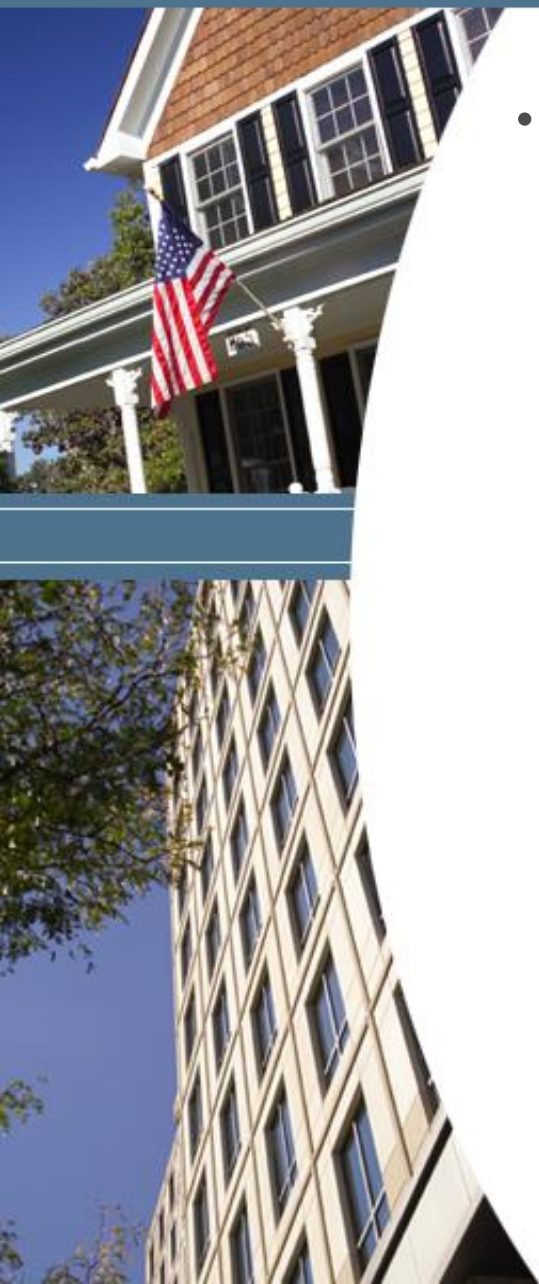
Ginnie Mae's Program to Securitize Government Insured Home Equity Conversion Mortgages



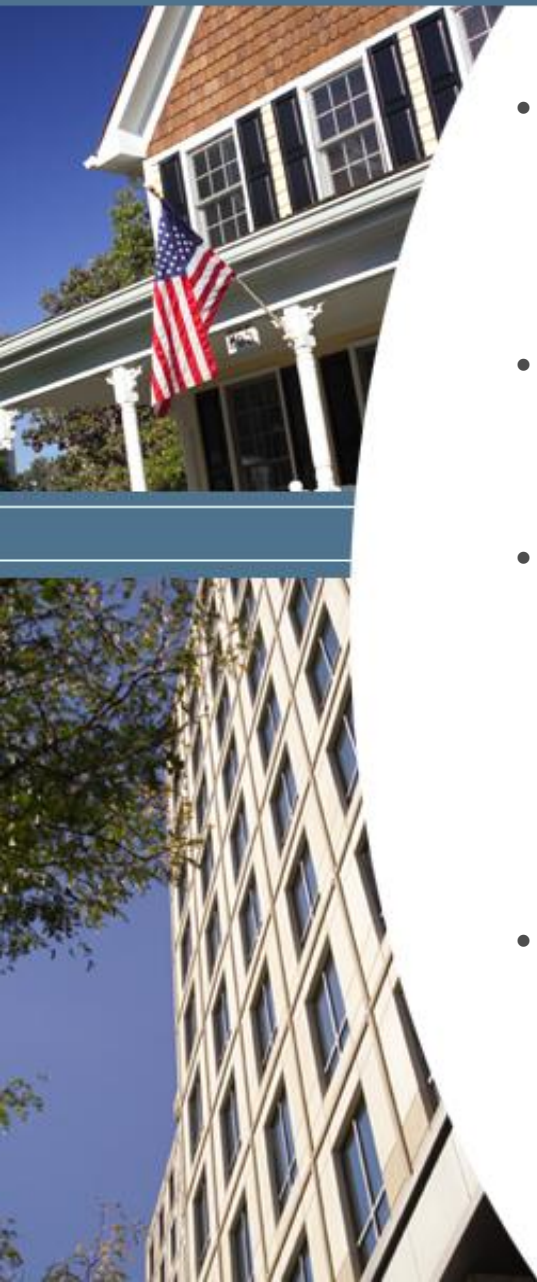
- Ginnie Mae's mission is to support affordable housing in the United States by providing an efficient government-guaranteed secondary market vehicle linking the global capital markets to American homebuyers.

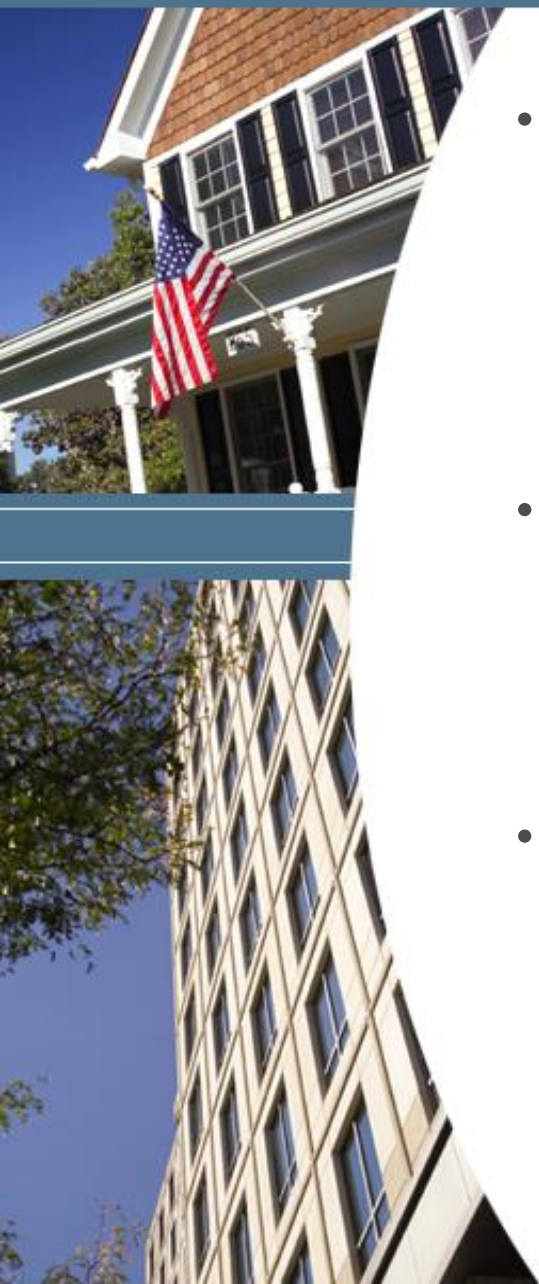


- Deepen the availability of HECM lending.
- Create a broad secondary market for HECM loans.
- Reduce borrowing costs for senior homeowners.
- Broaden options available to lenders and homeowners.

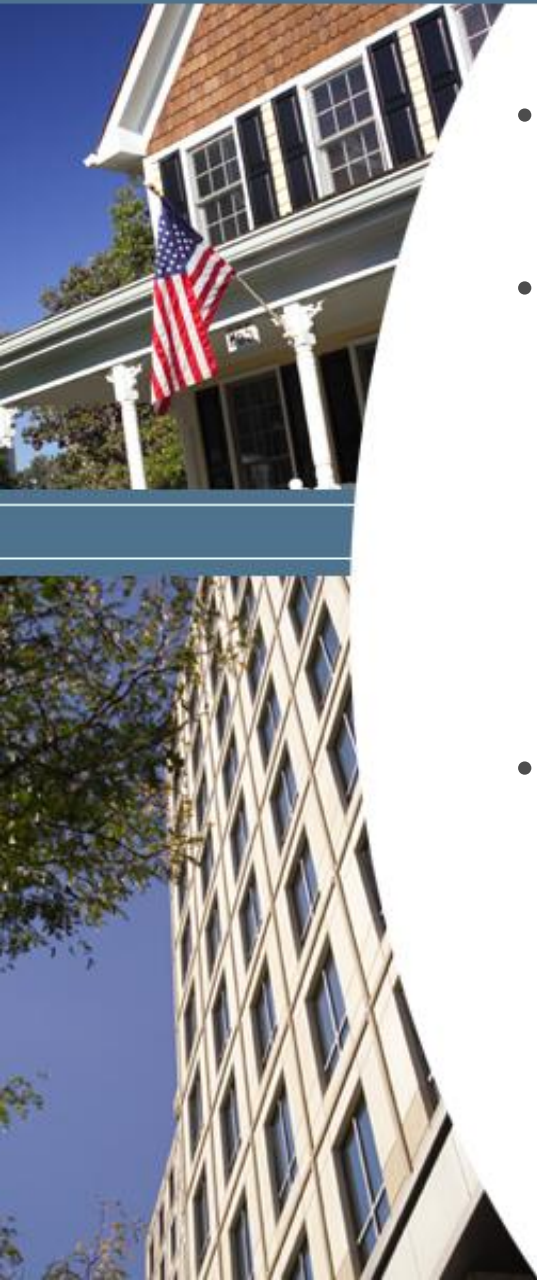


- Key HMBS features include:
 - » Collateralized by HECM loans.
 - » Weighted Average Coupon (WAC) accrual pass-through bond.
 - » Securitization of funded balances. An individual HECM loan can be securitized in multiple HMBS as they are funded over time.
 - » Does not require external funding sources for future borrower draws.
 - » Underlying collateral must have the same index and reset dates

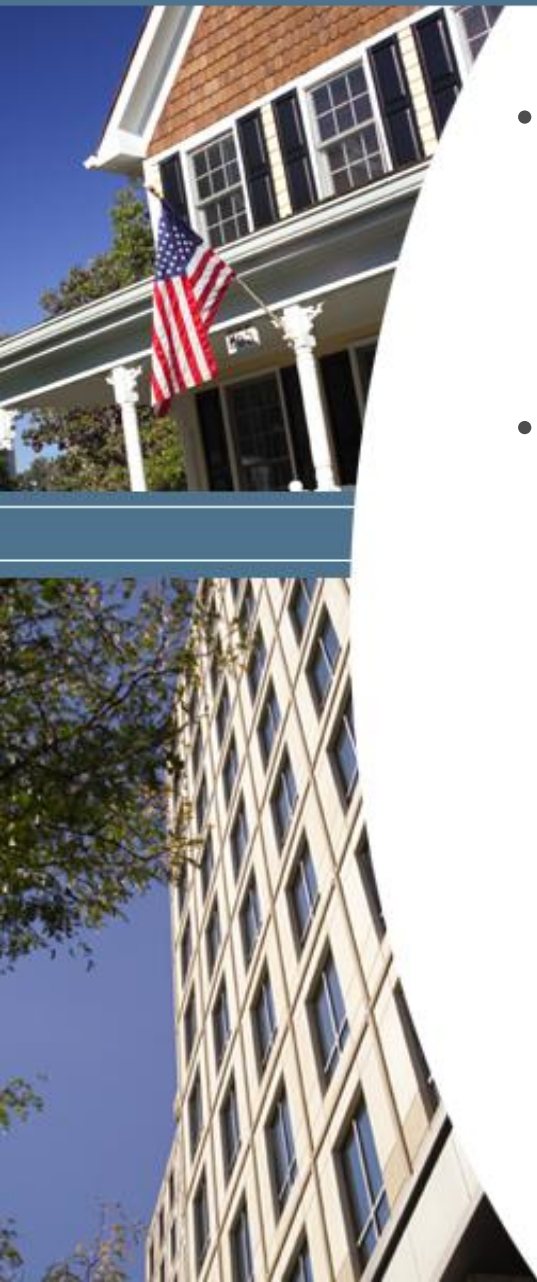
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- Minimum Pool Size
 - » \$1,000,000.
 - » At least 3 HECM participations related to three distinct HECM loans.
 - Pooling parameters mirror Ginnie II Custom pooling
 - » Fixed rate HECM loans cannot be pooled with adjustable rate loans.
 - Adjustable rate HECM loans
 - » Same reset date.
 - » Same frequency.
 - » Same Index.
 - » HECM Participations must have a spread of between 6 and 75 bps below the HECM note rate.
 - Multiple Issuer pools will not be allowed.

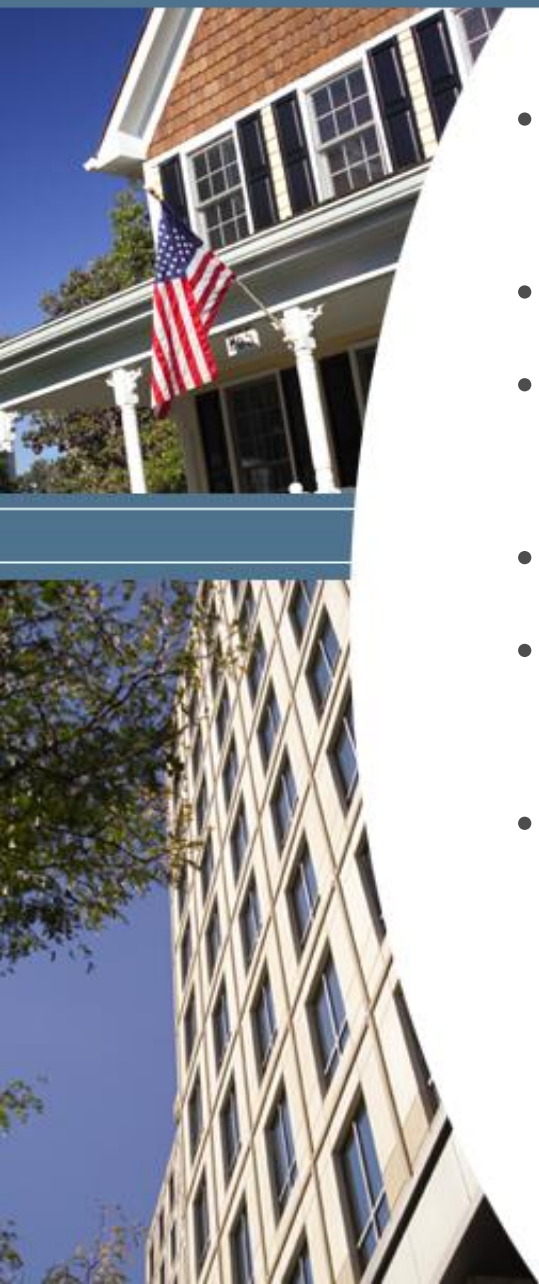


- Investor Reporting for the HMBS is different but not complicated.
 - » May develop their own systems.
 - » May contract a Participation Agent/Master Servicer.
- Issuers are required to monitor a borrower's compliance.
 - » Maturity event.
 - » Borrower default.
- Loan substitutions will not be allowed.

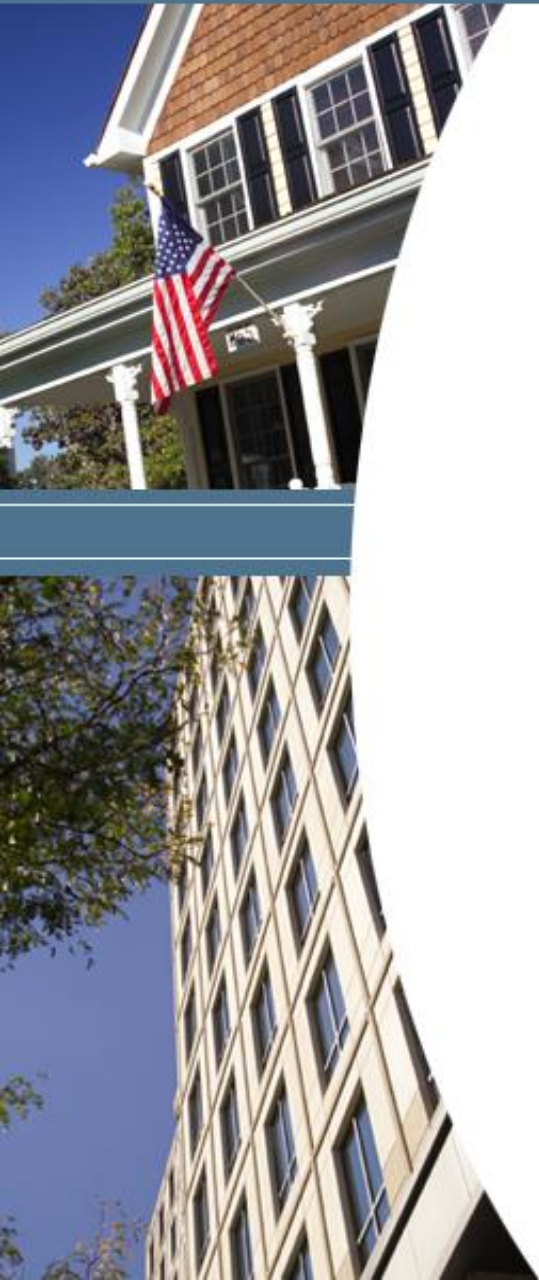


- Issuers are responsible for funding any payments due in a timely fashion.
- Payments will be disbursed to issuers in the month following receipt of:
 - » Partial prepayments,
 - » Full payoffs,
 - » Issuer repurchases,
 - » FHA claims paid.
- When a HECM loan is terminated, payments will be distributed *pari passu*.

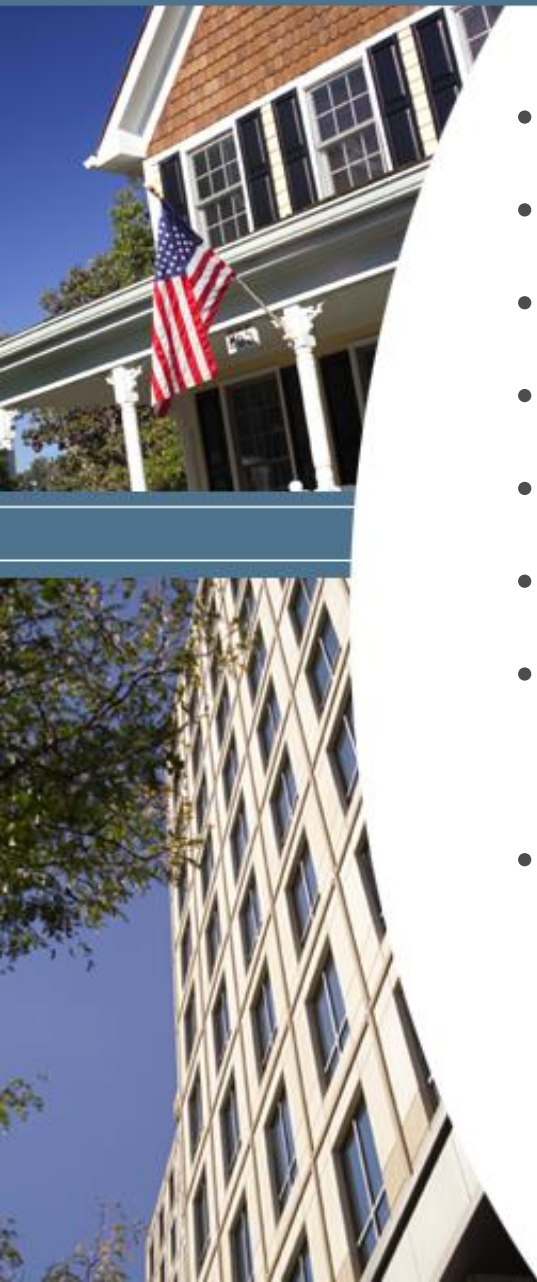
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- Issuers can select how servicing fee is calculated.
 - » Flat rate: \$30 or \$35 in accordance with FHA regulations.
 - » Variable rate: 25 to 75 bps.
 - Servicing Fee Margin represents the Issuer's compensation and Ginnie Mae guaranty fee.
 - » Flat rate Servicing Fee: 6 bps to 75 bps.
 - » Variable rate Servicing Fee: 25 to 75 bps.



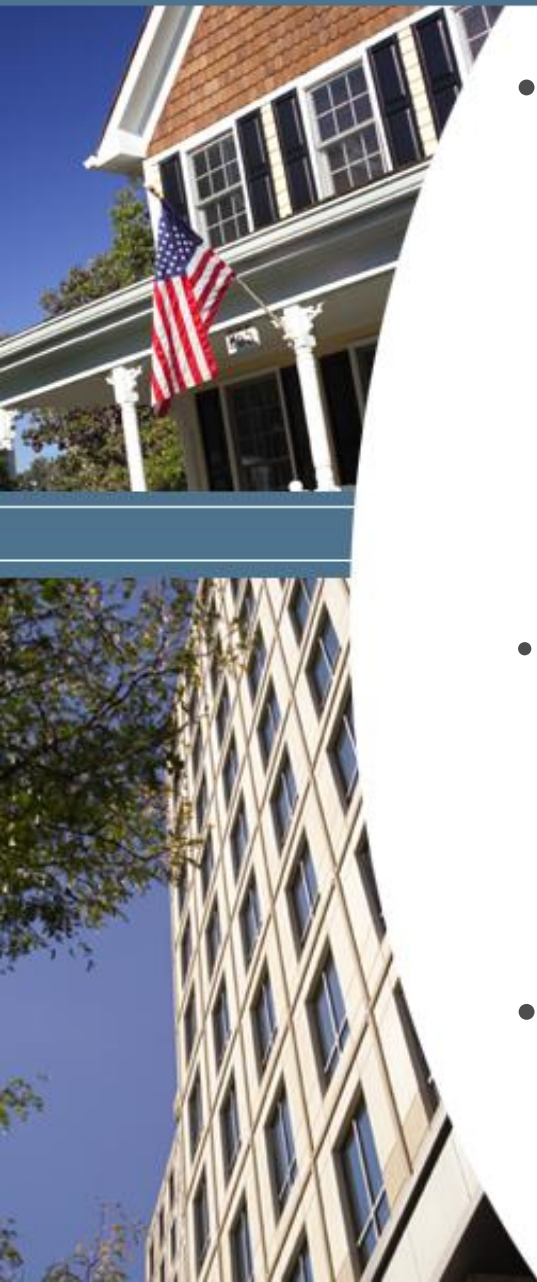
- Full Faith and Credit guaranty of the United States Government.
- Less susceptible adverse market events.
- 0% Bank of International Settlements (BIS) Risk-Weight.
- Superior risk-adjusted returns.
- Highly liquid instruments – Traded on the global financial markets.
- Excellent investment vehicle for entities that manage liabilities with similar demographic and actuarial attributes.



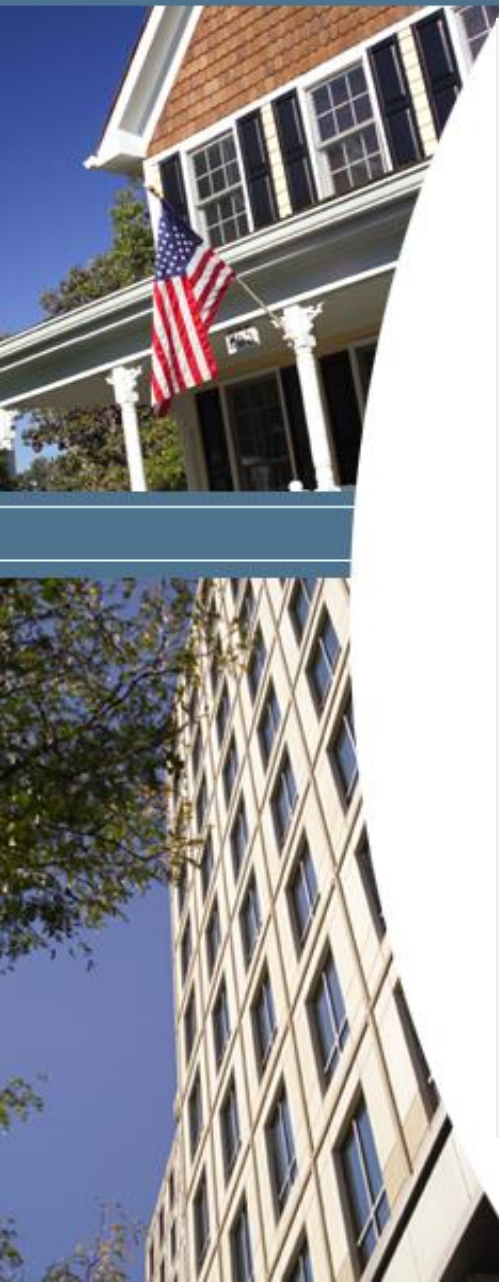
- **Custodial Responsibilities**
- **Rebecca Major, Operations Manager**
 - **Wells Fargo Bank**

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- Note*
 - Repair Set-aside Addendum (if present)*
 - Loan Agreement*
 - Payment Plan Exhibit to Loan Agreement
 - Security Instrument
 - Assignments
 - Title commitment

 - *Documents always required by every investor.

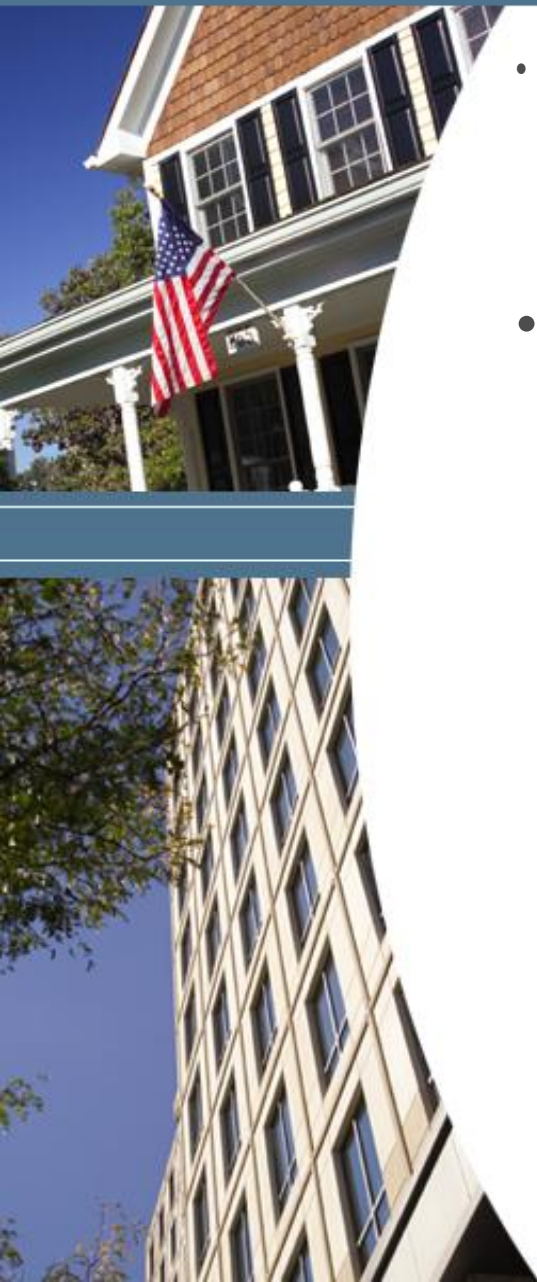
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- **Note:**
 - » Mortgagor Name
 - » Property Address
 - » Interest Rate
 - » ARM Change Date, Index, Margin and Life Cap
 - » Document review is otherwise the same (signed, complete, endorsed, referenced addendums present, etc...)
 - **HECM**
 - » Mortgagor Name
 - » Signed by Mortgagor and Lender
 - » Exhibit 1: HECM Payment Plan present
 - Verify Mortgagor Name and Principle Limit
 - **Security Instrument, Assignments, and Title report, if applicable.**

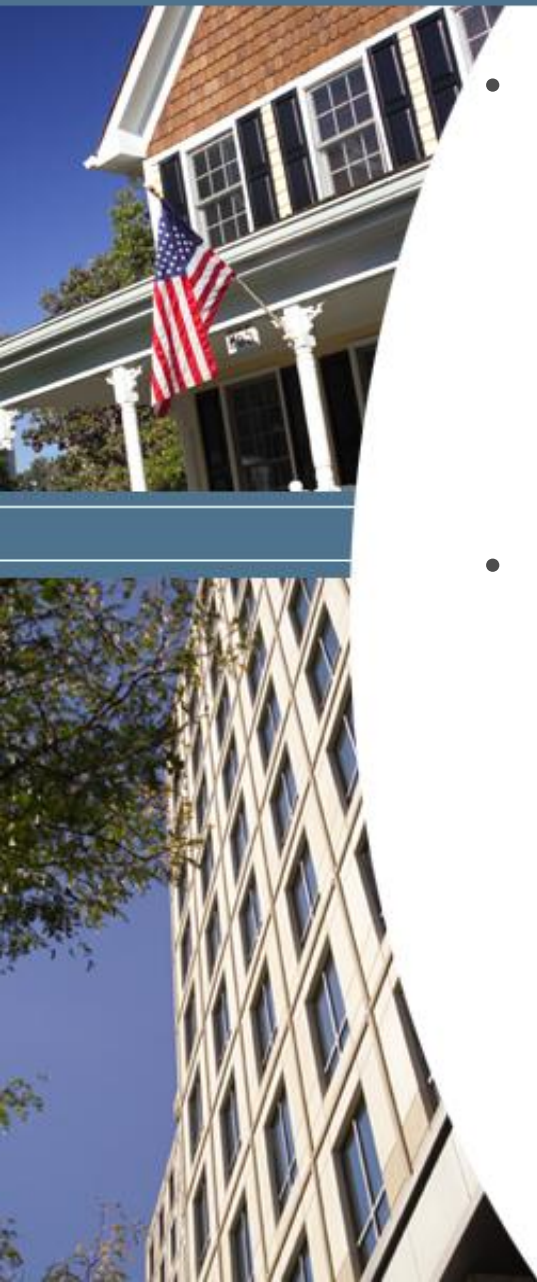
Example Exhibit 1: HECM Payment Plan

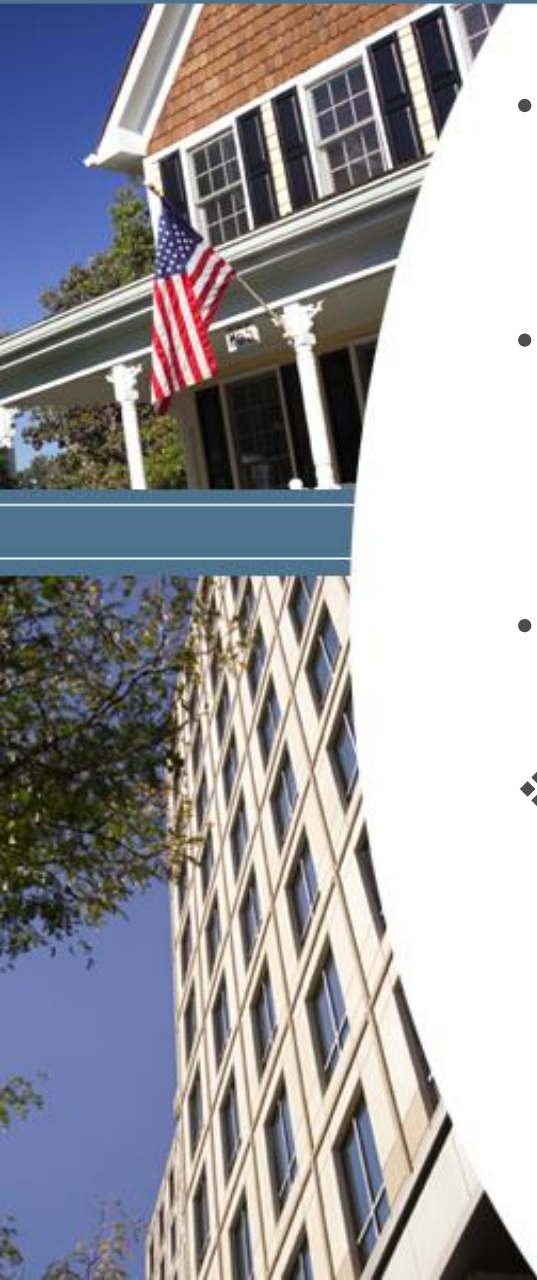


Expected Average Mortgage Interest Rate **6.200%**

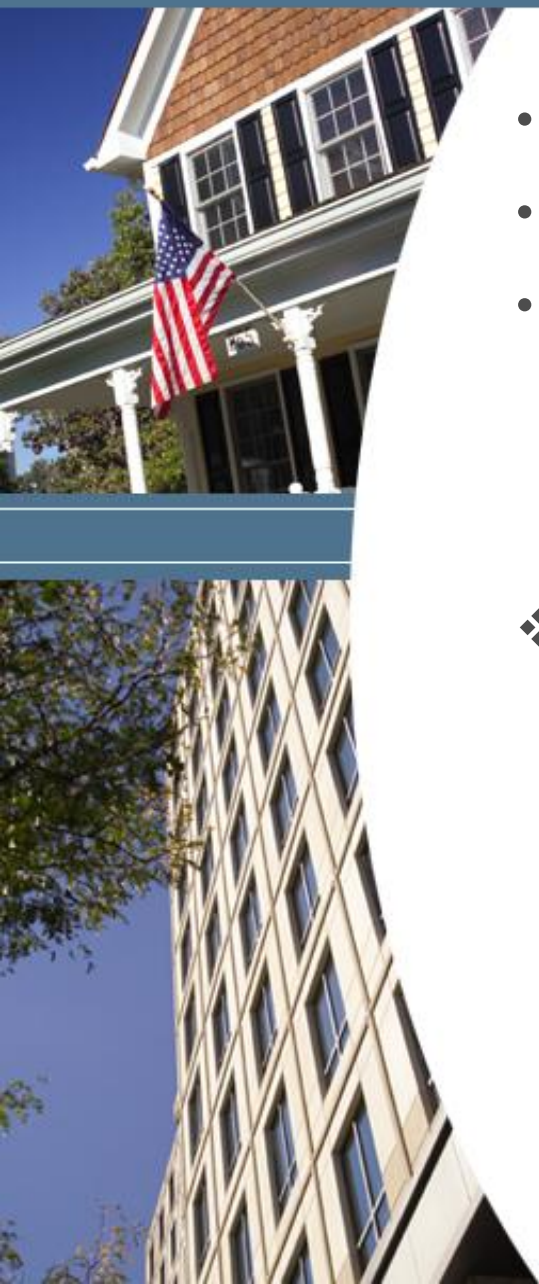
1.	Principal Limit Initial Payments (if completed at closing):	\$197,720.55	
2.	Closing Costs	\$17,854.60	
3.	Discharge of Liens	\$113,864.73	
4.	Outstanding Balance (If completed after closing)	\$0.00	
5.	Loan Advance	\$58,309.64	
6.	Servicing Fee Set Aside	\$5,771.58	
7.	Total Deductions from Principal Limit (Lines 2 + 3 + 4 + 5 + 6)	\$195,800.55	
8.	Principal Limit for Line of Credit	\$1,920.00	
	Funds in Line of Credit Designated For:		
9.	Repairs	\$1,920.00	
10.	Property Charges	\$0.00	
11.	Outstanding Balance on Line of Credit from previous payments	\$0.00	
12.	Total Deductions from Principal Limit for Line of Credit (Lines 9 + 10 + 11)	\$1,920.00	
13.	Funds Available to Borrower in Line of Credit (Lines 8 - 12)		\$0.00
14.	Net Principal Limit (Lines 1 - 7 - 9 - 10)		\$0.00
15.	Net Principal Limit Available for Monthly Payments (Lines 14 - 13)		\$0.00
	Scheduled Payments:		
16.	<input type="checkbox"/> Term (Remaining) N/A Years and N/A Months. or		
17.	<input checked="" type="checkbox"/> Term (Check only one plan)		
18.	Monthly Payment (Total)	\$0.00	
19.	Monthly Withholding (T & I)	\$0.00	
20.	Net Monthly Payment (Lines 18 - 19)	\$0.00	

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- *To deliver reverse mortgages Fannie Mae, the lender and custodian need a waiver in effect. The specific requirements for certification are communicated to the document custodian via a letter of instruction (LOI). The requirements generally are as follows but are subject to change.
 - **Note:**
 - » HECM and HKM (Homekeepers) are allowed
 - » Mortgagor(s) Name
 - » Closing Date
 - » Property Address
 - » Interest Rate
 - » ARM Change Date, Margin and Ceiling
 - » FHA Case Number (HECM only)
 - » Document review is otherwise the same (signed, complete, endorsed, referenced addendums present, etc...)

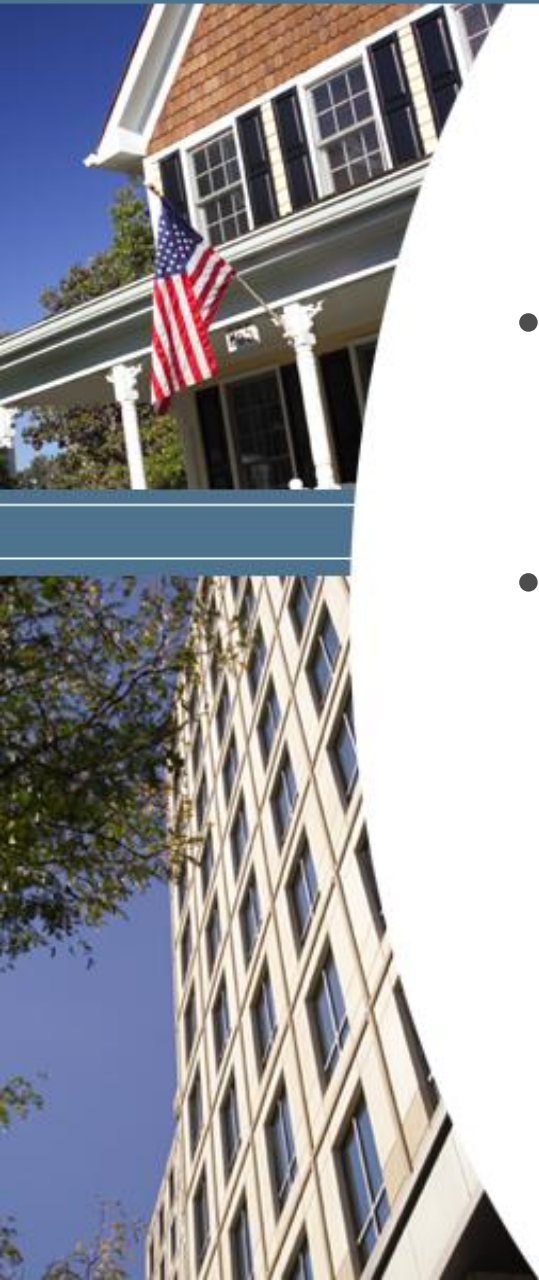
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- **HECM or HKMLA (Homekeeper Mortgage Loan Agreement)**
 - » Mortgagor Name
 - » Signed by Mortgagor(s)
 - » Repair Set-Aside amount, if applicable
 - **Security Instrument and Assignments, if applicable.**



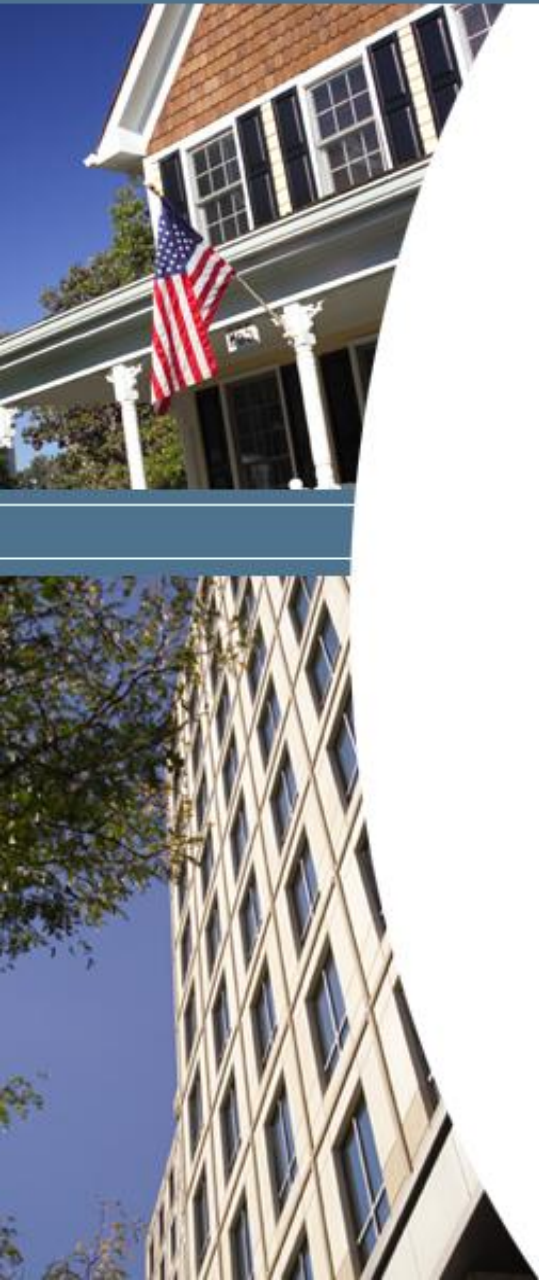
- Issuers deliver pools through GinnieNET
 - » One of the fields delivered is 'Participation Number'. First delivery is always participation 001.
- If the loan is a Line of Credit and a draw is made by borrower, a new participation is securitized. Sent by issuer through GinnieNET in new pool with updated participation number.
- New participations and subsequent participations may be combined in one pool.
- ❖ **Custodial Challenge:** Every time a loan has a new participation, it is included in a new pool, yet it retains only one loan number. Each pool/participation for that loan must be tracked for Final Certification and Release reporting.



- Issuer delivers through e-Boutique
- Certification process is very similar to Cash
- May, 2007:
 - » Export functionality added by FNMA
 - » First 3rd party custodian certification
- ❖ Custodial Challenge: Standard deliveries issued on a monthly schedule; Reverse issued daily.



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- Post Closing Issues
- Questions and Answers



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- **Thanks for coming**
- Please fill out survey when received