



# US Reverse Mortgages - Moving Forward

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## Reverse Mortgage Growth

- 90% + of Reverse Mortgage Loans to date are FHA Insured HECM
- HECM Endorsements Trend – Fiscal Years 1990-2007
  - 1990 400 loans
  - 2007 265,000 loans\*\*
- Reverse Mortgage Lenders\* – Growth
  - Dec 2004 376
  - Dec 2005 552
  - Dec 2006 842
  - Dec 2007 1,278 (240% increase over 2004)
    - \*Minimum 1 HECM loan endorsed in reporting period – Source- HUD
- Outstanding loan growth is small percentage of overall market
  - \*\*Loans outstanding at end of 2007 represent only 0.9% of estimated 30.8 million households occupied by seniors 62 of age or older



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## Reverse Mortgage Growth-

- Reverse Mortgage Market has room to grow at rapid pace
  - FHA projects total dollar value of HECM loans to grow by more than five times from 2006-2016 – Source AARP Study- Dec 2007
- Seniors *shifting needs* for product
  - Moving from need based product for cash flow
  - Evolving 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*
- 93% of borrowers in the survey by AARP report that their reverse mortgages have had a most positive effect on their lives

## AARP Groundbreaking Report –Main Findings-Dec 2007

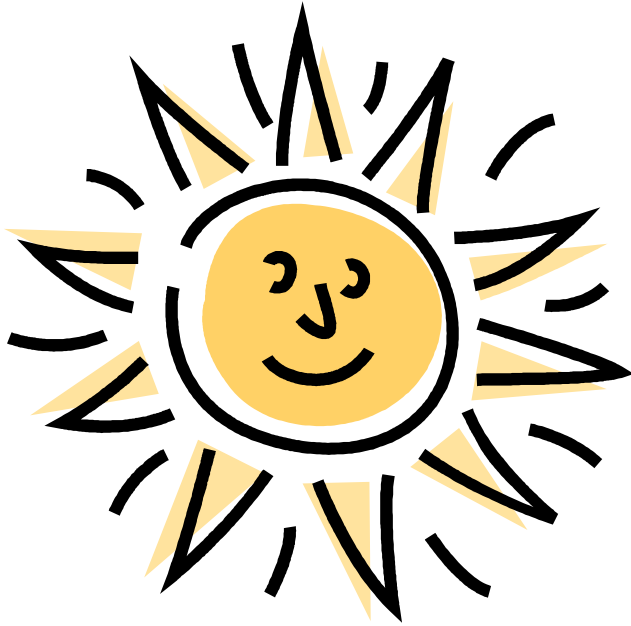
- Reverse mortgage borrowers are initially favorable about the loans. 63% of borrowers said they would be “very likely” to recommend a reverse mortgage to a friend
- Borrowers are using a reverse mortgage to pay for necessary costs. Borrowers said they had many uses for the funds, but the main use cited by 19 percent was to retire an existing mortgage
- Reverse Mortgage lenders may be depleting the home equity of borrowers by offering inappropriate financial products such as annuities and long term care insurance.
- Overall consumer knowledge and confidence in and about reverse mortgages is low
- Loan costs are too high

# Market growth drives innovation and regulation

- Innovation
  - Fixed Rate HECM product
  - LIBOR index based HECM product
  - New investors
    - Ginnie Mae – HECM HMBS
    - Life Insurance Companies
    - Wall Street Firms
  - New loan servicing technology
    - Private label sub-servicing options
    - Direct access to investors leveraging new technology
- Regulation
  - Increasing oversight and proposed regulations
    - State, Federal and consumer protection groups

## Future is Bright –

- Mortgage lenders can assist in the growth of this market but must do everything to prevent consumer abuse.



## Future is at Risk -

- New and existing mortgage lenders entering this space must be ethical and protect the consumer from unethical sales proposals and follow the rules

