



The Golden Rule of HECM Origination

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Why it's important to assess alternative solutions with your clients



"Every time you meet a new potential client, give them the rundown of alternatives to a reverse mortgage so they can make an informed decision that everyone feels good about."



In life, the Golden Rule is a basic principle that should be followed to ensure success in everything you do. It goes like this: "Do unto others as you would have them do unto you."

In reverse mortgage lending, the Golden Rule is also important, and it can be revised to: "Lend unto others as you would have them lend unto you."

As a reverse mortgage originator, one of your primary goals is to close as many loans as you can. I'm an industry veteran, and I've learned over the years that the best way to do that is to give your clients honest feedback about all of their available choices. Treat each client the way you would want to be treated. After all, most people don't have financial advisors to help them weigh their options. They look to us to give them candid answers about the pros and cons of each situation and need our help evaluating the merits of each alternative. It's a good idea to treat each client like your own mom or dad—what would they want to know? Typically, you would want your parents (and each client) to know how a reverse mortgage measures up against other alternatives.

There's gold when you deliver the Golden Rule with integrity, empathy and love.

Once you apply the Golden Rule, reverse mortgages can resonate better once the customer knows "the rest of the story," because they have assurance that they're making the best decision. Just like any other consumer making a major purchase, reverse mortgage borrowers want to exhaust and evaluate all of their options. We all want to do business with someone we trust, especially when that means getting the best advice and the best solution to our problem. It's up to the loan originator to provide the rest of the story—not just the reverse mortgage story. It's the right thing to do and results in a positive experience, which can lead to future referrals from the client.

Every time you meet a new potential client, give them the rundown of alternatives to a reverse mortgage so they can make an informed decision that everyone feels good about. Always ask yourself, "Is this solution suitable and appropriate for my client?"

Originating

Here is a checklist of 10 alternatives you can review with them in a qualifying conversation:

Do nothing and wait. In some instances, a client may prefer to continue with the current plan, even if meeting the monthly mortgage is tight. They can look at cutting back on living expenses if possible, particularly if they're waiting for future benefits to kick in.



1.

Take out a traditional loan. With low interest rates (even though they're beginning to rise), a refinance to lower monthly payments or cash-out equity could be a viable option for some. It allows for a child to inherit the home (with more equity), but the client will still need to keep up with that mortgage every month.

2.

Borrow with a HELOC. Again, a HELOC adds to those monthly payments but can help if a senior needs upfront cash for an emergency or a regular draw to help with recurring expenses. It depends on what type of monthly burden they want to eliminate and it requires equity in the home. *(Don't forget to compare and contrast the reverse credit line and how the borrowing power grows over time.)*

3.

Get help from children. Depending on the client's personal situation, an adult child might be able to help, whether by ongoing financial support, a place to live or even something as simple as adding them to a family cell phone plan. Sometimes, the children can refinance or tap their equity lines to help Mom and Dad.

4.

Downsize the current home. Many people want to live out their retirement years in the house where they raised their children, but others may feel less sentimental about it. A smaller home or condo requires less maintenance inside and out while costing less, which is very attractive to some retirees. (Incidentally, a HECM for Purchase might be a nice option when selling makes sense.)

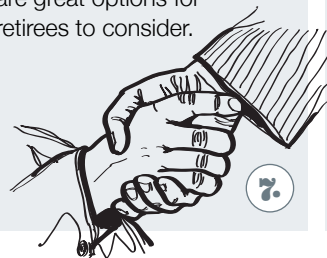
5.

Rent out a room. Rather than downsizing, renting out a room is a good option to help pay the mortgage without having to move. They can either find a long-term renter or list a room to tourists on a website like Airbnb.



6.

Get a part-time job. A lot of retirees work part-time to supplement their income, but it's important that they don't earn too much to impact their Social Security benefits. Retail, tourist attractions like museums, and even driving an Uber are great options for retirees to consider.



7.

Tap into other assets. Your client might have a life insurance policy they can tap into to assist with ongoing expenses. It may also be time to consider withdrawing from a 401(k) or other retirement plan, if they haven't already.



8.

Review medical coverage. Depending on their income level, some seniors may qualify for Medicaid, which can free up cash by reducing medical expenses. If your client is a veteran or the widowed spouse of one, make sure he or she is taking advantage of potential VA benefits.

9.

Take advantage of government assistance programs. Encourage your client to visit benefitscheckup.org, where they can find local programs designed for helping seniors. They can also check local and state programs for weatherization assistance, relief from country real estate taxes and other perks.

10.

None of these ideas are silver bullets when a senior is trying to stay in their home, and most won't work for everyone. It's important for each client to determine what their main priority is in their elder years. Maybe they always had a plan but when the time arrived to execute it, their priorities shifted. Be supportive and lend an ear to help them talk out their options so they can figure out what they actually want and what is possible. Never forget to listen with your eyes, care with your soul, and, of course, apply the Golden Rule.

Once you review a list of possible alternatives with a potential client, you can then discuss the advantages and potential limitations of a reverse mortgage. At that point, they have all the information they need to make a smart, well-informed decision. By applying the Golden Rule, doing the right thing at the right time for the right client, you will have earned the client's trust. Without trust in you, in the program and in their decision, they cannot develop a solid retirement game plan. ■