

HECM Reverse Mortgages Have Less Risk for Lenders says ReverseVision Board Member, Industry Expert Jeffrey Taylor

SAN DIEGO, Calif., Sept. 2, 2014 (SEND2PRESS NEWSWIRE) – Mortgage lenders offering the HUD-insured Home Equity Conversion Mortgage (HECM) will find that originating reverse loans carries fewer risks than traditional mortgages. Recent HUD changes have made these loans even better suited to serve their intended purpose, according to reverse mortgage expert Jeffrey Taylor, a ReverseVision (<http://reversevision.com/>) board member and president of Wendover Consulting.

ReverseVision is the leading provider of business solutions for the reverse industry offering its RV Exchange (RVX) reverse loan origination system (RLOS) and training for the reverse mortgage industry through RV University (RVU).

“As the market shifts from refinance to purchase in a highly regulated context, savvy mortgage lenders are on the lookout for a product mix to buttress profitability with minimal risk,” says Taylor. “The HECM reverse mortgage is just such an option, since its target demographic is exploding and it is not subject to QM or ATR requirements.”

According to Taylor, recent HUD changes, including those outlined in Mortgage Letters 2014-07, 2014-12, 2013-27 and 2013-28, have corrected some of the unintended outcomes of the program, which have given reverse mortgages a bad reputation in the past. For example, rules that address foreclosure issues that impact a non-borrowing spouse greatly reduce borrower confusion. These changes have significantly improved the long-term effectiveness of the HECM program, he said.

“With these programmatic issues remedied by HUD, the threat of foreclosure and reputational risk have been squared away, leaving whatever remaining risk primarily on the investor side of the equation, where risk is the name of the game,” Taylor said.

Taylor explains that the key to managing origination risk for HECM reverse lending is very much the same as originating forward government products. Loan origination must follow FHA requirements; must be underwritten to FHA standards; and must be insurable since a loan that is not insurable cannot be sold on the secondary market.

“HECM is a government-insured mortgage product, so, there are protocols to follow and qualifying standards,” said Taylor. “Nonetheless, thanks to the availability of very effective reverse mortgage lending technology that enables seamless loan application to underwriting to closing and secondary trading, HECM originations are low risk.”

Not only is HECM reverse mortgage origination risk low, but also the opportunities have literally never been greater, according to Taylor.

“Five years ago we didn’t have a reverse lending platform like today’s RV Exchange from ReverseVision. That system facilitates a seamless marketplace from originator to secondary. Combine the RV Exchange with a robust capital market through GNMA HMBS, and wholesale lenders jumping over themselves to pay a premium because overall volumes are low, and the result is a very strong industry,” he said.

“Companies that want to get in to reverse lending need to move now,” said Taylor. “The wholesale aggregator side is bending over backwards to get every mortgage banker in the space to sell to them and mortgage bankers can lend without QM and ATR since HECM has so many consumer protections built into it as an FHA product. In short, everything is in place for HECM lending to boom.”

About ReverseVision:

ReverseVision, Inc. (<http://reversevision.com/>) is the leading software and technology provider for the reverse mortgage industry offering products and services focused exclusively on reverse mortgages. More reverse mortgages are originated monthly using ReverseVision’s RV Exchange platform than all other systems combined. ReverseVision has partnered with some of the finest and fastest growing lending organizations in the U.S. to provide the leading reverse mortgage technology to brokers, correspondents, lenders and investors.

ReverseVision is recognized as a driving innovator in the reverse mortgage industry. ReverseVision continues to improve their software with frequent new innovations building on pioneering capabilities in reverse mortgage interactive graphs, scenario analysis, multi-environment performance analysis and workflow in the origination process.

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