



MARKETING & SALES

Coronavirus Spurs Reverse Mortgage Pros to Amend 2020 Plans

By **Chris Clow** | April 19, 2020

The outbreak of the COVID-19 coronavirus pandemic has caused many American seniors to more seriously consider tapping their home's equity to make ends meet in retirement. For some reverse mortgage professionals, the greater necessity for cash flow has translated into additional product inquiries and full loan pipelines. Still, no one is spared the economic impact of the pandemic and in some cases, reverse mortgage professionals are changing their outlooks for the rest of the year to account for changes brought about by COVID-19.

Different reverse mortgage professionals are taking different lessons and steps in the midst of the economic shock introduced by the virus, but many agree that this current moment will likely require some changes for business plans through the remainder of the year. This is according to outreach made to loan officers and branch managers across the country by RMD.

Pricing and demand

One of the current realities that reverse mortgage professionals currently have to contend with is fluctuations in pricing, as previously alluded to on RMD.

That new reality may be with the industry for a while, and it's because of that possibility that some are looking at the current business environment as potentially staying true for the rest of the year.

"With reverse mortgages, it's not like there's a fear of the borrower not making their mortgage payment, but I still think there's an issue with liquidity with these investors, because they're not just buying reverse mortgages. They're buying pools of other mortgages as well," says Steven Sless, reverse mortgage division manager with Primary Residential Mortgage, Inc. (PRMI) and branch manager with the Steven J. Sless Group. "Until there's liquidity that comes back into the secondary market, I think pricing is going to be like it is for a little while. And so, we're preparing right now for pricing to be like this for the rest of the year."

Having that assumption will help better prepare his business for a shocked system through the end of 2020, and potentially into the first quarter of 2021, he says. That's not to say that there isn't an uptick in some sectors though, as referrals have noticeably increased, Sless says.

"We're relying heavily on our referral partners, and we actually have more. We're busier in the past couple of weeks as far as demand than we have been in quite some time," he says. "The referral partnerships are really starting to see the light and see that reverse mortgages are a really good solution in times like these, and we've been preaching that to them for over a decade."

This has led to a loan pipeline that is larger now than it's been in some time, he says. Higher demand is also being observed in other parts of the country.

"I don't think there's any problem with surviving as long as you're willing to work hard," says Rich Pinnell, branch manager for PRMI in Redding, Calif. "There's plenty of business, and there's going to be a ton of business out there going forward. We have to pay attention to the mix, though. On the reverse mortgage side, you'll have roughly 25% of the people who have a paid off home and all they want is a line of credit. And then, you'll have 75% of the people who want to take some money out upfront."

From his perspective, though, there are a lot of benefits to mapping out the remainder of the year with the current crisis being at the front of mind.

"I think that the smart thing to do is to prepare for the worst," Pinnell says. "Knowing that to hit your numbers, you're going to have to have more loans closing."

Social distancing in the future

Because the effects of the COVID-19 disease disproportionately affect older people and those with compromised immune systems according to the Centers for Disease Control and Prevention (CDC), the general caution that has been instigated by the pandemic may be with American seniors for some time to come, so the industry should likely get comfortable with conducting more business over the phone. This is according to Steve Broaddus, director of the reverse mortgage division at First Alliance Home Mortgage in Feasterville, Penn.

“I don’t know what things are going to look like two months from now, four months from now, or six months from now,” he says. “Perhaps until a vaccine is developed and is readily available, I would assume because of the age of our clients there will continue to be a number of folks who are not interested in hosting strangers into their house. So, I would suspect there will be more distant business for the foreseeable future than there has been.”

That caution and concern on the part of seniors needs to be respected, and it also needs to form the basis of the ways in which reverse mortgage professionals interact with their clients, Broaddus says.

“Over the next several years, I don’t know that we have to prepare for that as much because we’re doing it now,” he says. “But, I think [the current crisis] will create the need to further develop relationships over the phone. Whereas in the past, we’ve been able to do that more successfully face-to-face.”

Adjusting to a new way of primarily communicating with clients to take their concerns into account is also on the mind of John Luddy, SVP of reverse lending at Norcom Mortgage in Avon, Ct.

“My business model of working lead sources will sustain, as it can withstand any storm. But certainly, I’ve got to think about not having face-to-face meetings with clients,” Luddy says. “I’ve got to think more about my interaction with clients because I prefer to be with them, and see them [confirm that] they understand me. I don’t like the idea of the husband having to hang up the phone and explain it to the wife, or vice versa. I’ve got to figure that out, I know, but as far as business level, I expect business to get better this year. Maybe even a lot better, just out of necessity.”