



MARKETING & SALES

How to Describe New Reverse Mortgage Product Landscape to Clients

By **Chris Clow** | February 3, 2020

The modern reverse mortgage product landscape has grown in recent years to include a variety of different options that either come with insurance for the lenders by the government, or that don't include the government at all. As proprietary reverse mortgage options continue to become more prevalent (even as some within the industry debate exactly what to call those products), conversations with clients that are aimed to determine what the best product fit can be for them now have to take into account a number of other product options.

Front-lines reverse mortgage loan originators have a variety of perspectives concerning how to broach the topics of multiple home equity release products with their clients given the expansion of private HECM alternatives that have sprung up in recent years, even in territories where private reverse mortgages aren't available yet.

There can potentially be an overload of information regarding the vast number of product options, and it then becomes key for a loan officer to be able to lay out a borrower's options without confusing the new product landscape for them.

Initial discussions as a way to set yourself apart from competition

Particularly in an area of the country which has an abundance of product options and competing reverse mortgage professionals, using initial conversations about the modern reverse mortgage product landscape can be an invaluable opportunity to inform a borrower why you're the best person to help them identify the product that works for them. This is according to Christina Harmes Hika, originator at the C2 Reverse division of C2 Financial Corp in San Diego, Calif.

"The initial conversation with clients has really become an opportunity to set yourself apart from other loan officers, and position yourself as the best advisor to help them identify their goals, sensitivities and choose the reverse mortgage that is right for them," she tells RMD. "In my market, most of my clients have home values between \$750,000 to \$1.5 million, and this means that both the FHA HECM and the portfolio products can work for many of them."

In an area like Southern California which has so many different product options available for values that run the gamut between the HECM and jumbo ranges, conveying the variety of options while managing to make them distinct is of high importance.

"Now, more than ever, you must be clear and simple while still conveying all the options and important information," Harmes Hika says. "I think the dabbling reverse originator is being pushed out of the reverse sphere right now simply because there is so much information and regular changes you have to stay on top of. If you do one reverse every other month, you're already at a huge disadvantage. I work with a lot of forward loan officers who simply refer their clients over now because their client is coming to them with more knowledge of their options than they even have as a traditional loan officer."

Needs-based recommendations, consultative approach

Starting conversations off with the needs of the borrower is also an important determining factor in relating which product will help them to solve whatever financial issue they have that has led them to exploring reverse mortgage-based solutions. Once the need is established, taking a closer look at why a client has called the originator is an important step in the process according to John Luddy, SVP of reverse mortgage lending at Norcom Mortgage in Avon, Ct.

“Most lenders obligate us to show clients the HECM as a comparison [with portfolio products], and that’s a good thing,” Luddy explains. “Because if the portfolio product meets their needs, the HUD product falls quickly by the wayside when they see its cost.

So, yes, it might have more bells and whistles for the people with a [home] value that’s more appropriate to select that product. Once you get into that million dollar range, the cost is so prohibitive that when you show them the cost and then say ‘I have something I think is more appropriate for you,’ it begins to sell itself.”

The expanded product landscape also necessitates a higher level of commitment to the reverse side of the business, Harmes Hika adds.

“The educational and consultative approach has always been very important in reverse, but it takes a higher level of commitment to reverse today to be able to advise appropriately to your clients,” she says. “With over 30 options and various interest rates and ways (and rules) to take proceeds, when a client is in a value range and has a mortgage balance where a HECM or a portfolio product can make sense, I try to understand their exact goals then present the option that sounds like the best fit first.”

Avoiding information overload

The fact that there are so many products available across both the HECM and proprietary product catalogs might make it tempting to throw a lot of different options at a borrower, but taking a more methodical approach can be essential in nurturing a sale according to Steven Sless, reverse mortgage division manager at Primary Residential Mortgage, Inc. in Owings Mills, Md.

“I think our job is to listen, identify what a borrower’s needs are, and only provide the options that make sense for those needs,” Sless tells RMD in an interview. “Do not overwhelm them, especially if they’re in a state where the proprietary products are available. And if they have a home that’s over the FHA lending limit, then we do a very simple apples-to-apples comparison. We educate them and we let them pick what product works best for them.”

That education process on its own is also very slow and strategic, however, to make sure that the client is not overwhelmed with new information that could affect his or her decision-making process, Sless says.

“Oftentimes, these conversations happen over anywhere from 3-to-6 calls, so we’re not we’re only giving them pieces of information,” he says. “We have to keep in mind that part of selling is also asking questions and listening, but then also explaining it in a manner that makes sense.”

The ability to streamline a great deal of information into easily-accessible and digestible pieces for a borrower can be the difference between higher-producing originators and others, Harmes Hika continues.

“I think what leads the top reverse originators to continually do more business in an ever-changing landscape with many new products is the ability to turn the complex into the simple,” she says. “This is no easy task when there is so much important information to convey, but it is a vital skill to have in reverse, especially today.”

One client with a home value close to \$1 million shopped around to five other loan originators before moving forward with Harmes Hika, and was not even aware of private options before she brought them up.

“When we got the Portfolio options, she hadn’t even heard of them,” Harmes Hika explains. “It turns out a HECM was the right fit, but she appreciated the extra step to be sure she was fully informed of all her options, and it won the business.”