The key to industry growth may not be what you expected

The Industry Leader Update by Reverse Focus l September 17th, 2018
Commentary by Shannon Hicks

There's little debate on the long-lasting impacts of repeated changes and cutbacks to the Home Equity Conversion Mortgage. However, many disagree as to when our industry will begin to rebound and regain significant marketshare. It could be argued that recent indicators show we've reached the bottom but a more significant question has been largely ignored. Is the key to reverse mortgage industry's long term growth and recovery lie with traditional mortgage lenders? It's a sincere question that begs examination considering there are tens of thousands of FHA-approved originators.

At the height of our market, it was commonly thought that traditional or forward mortgage originators lacked the proper mindset to work with senior homeowners not having the patience and expertise to effectively origination reverse mortgages. Today, ironically we are reliving a sequel of Trading Places with a twist. HECM lenders are branching out into originating traditional home mortgages while more traditional lenders incorporate reverse mortgages in their sales force.

US Mortgage Corporation sees an unique opportunity despite the HECM markets current challenges. This June the lender hired Steven Sless to kick off their new reverse mortgage division. With over 100 originators in 30 states US Mortgage has just graduated 25 loan officers through their HECM course and anticipates 50 graduates in early 2019. Just how many of these traditional originators will produce HECM loans remains to be seen, however, the leverage of their combined book of business, referral and professional networks should not be overlooked.

HECM product training within our nation's traditional mortgage sales force has its benefits and US Mortgage is not the first. C2 Financial among others has been actively engaged in certifying originators for HECMs. Loan officers who receive HECM training from corporate are less likely to believe in the long-standing stigmas and myths about reverse mortgages that have persisted for decades. Even better, those wishing to avoid the entanglements of complex HECM origination could utilize a concierge loan desk.

Industries who have suffered a loss of market share can easily fall into the trap of zero-sum thinking believing that more players in our market only serves to water down lender production. Such a belief is rooted in the notion that there's a finite or fixed number of potential reverse mortgage borrowers. With only 2 percent of HECM age-eligible homeowners having taken the loan the numbers simply do not support such a conclusion. History has taught us that it was, in fact, the entry of large bank and non-bank competitors that expanded the public's awareness and led to significant growth.

Will the larger mortgage industry's acceptance and training on reverse mortgages trigger an immediate revival of interest in the HECM and a rebound in loan volume? No, but it holds the promise of providing incremental albeit moderate loan production. To date, our small and specialized sales force has been unable to generate significant gains in loan volume with our current market share. Lacking a magic bullet perhaps it's time to embrace our not so distant cousins in traditional mortgage lending.

The optimist says the glass is half full. The pessimist says it's half empty, while the realist says I'm just happy there's a glass to hold water. The glass is there, now we strive to find the water to fill it.