REFLECT

LAST WORD

The Journey From the Sandlot to the Major Leagues

By Ryan LaRose

How reverse mortgage servicing has come a long way in a few short years

One of my favorite things to do outside of work is coaching my 10-year-old son's baseball team. He plays on a local team and the primary goal (outside of simply making sure that the kids have fun) is to ensure that they learn all the skills they will need to advance to the next level of play. While each player starts off with varying skill levels (some very basic), the idea is that each concept we teach them will build upon itself. As each player grasps the basics, we begin teaching them the intermediate and more advanced strategies. This is the third year that I have helped coach his team and I'm continually amazed at the end of the season at how each player has improved, gained skills they didn't have at the start of the season and broadened their knowledge of the game.

When I entered the reverse mortgage industry with Celink back in 2005, the concept of servicing a HECM loan was difficult to wrap my mind around. My prior experience was from the forward mortgage world and I had to reprogram my mind to grasp all of the moving parts that are involved in servicing this unique product. There were times when I was extremely frustrated; the requirements in place simply did not make sense to me.

When I take a step back and look at where reverse mortgage servicing began, and what it looks like now, I can see that the demands in my "rookie year" were fairly simple and straightforward in comparison to today's requirements. We have all recently undergone an unprecedented amount of changes in how HECM loans are originated and serviced. We talk a lot at Celink about how these changes have been a catalyst for a fundamental shift in the way in which we must service these loans—and the borrowers associated with them. There has always been risk in servicing, and that has multiplied with the additional requirements and corresponding curtailments/penalties that are strictly enforced by HUD.

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As the servicing of this product becomes more prescriptive than in the past, it allows servicers to more accurately build system controls and monitoring around each of those required events. Unfortunately, with these changes also comes less flexibility for the servicer to develop creative solutions for borrowers who may not fit into one of the mortgagee letter's prescribed boxes.

As an example, when borrowers defaulted on their taxes or insurance in the past, the servicer was given a level of discretion in terms of the amount of time they could invest in making contact with the borrower, getting them in touch with counseling resources, and (hopefully) working out a potential repayment plan. Only as a last resort, and when all other available tools had been exhausted, would the loan be presented to HUD to be called due and payable. With the passage of mortgagee letters last year, the servicer now has little discretion as it relates to helping the borrower avoid having their loan called due and payable. If the borrower defaults, they have to repay the entire advance within 30 days or the servicer is required to request the loan be called due. If the servicer misses that deadline by even one day, they could face thousands of dollars in curtailment penalties. It is only after the loan has been called due and payable that the borrower can be evaluated to determine if they can afford a repayment plan.

Just like the kids that I help coach, we are all trying to grapple with executing the basics of our new world. My hope is that our industry can quickly master these changes so that we can move on to the "advanced strategies" and look in the rearview mirror at everything we accomplished this season. Play ball! ■