

A Honest Assessment

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Commentary by Shannon Hicks

Just where does the reverse mortgage industry stand today? Are we on the road to explosive growth, a mild recovery, or are lower loan volumes for the remainder of the year? Somewhere between extreme exuberance and pessimism lies our new reality. Since I'm going to take off my commentary hat for a moment, let us objectively review the numbers.

First consumer demand as represented by [FHA case numbers issued](#) when a borrower's application is submitted. Overlaying FHA case number assignments for 2017 and 18 above 2018 and 19 we can see that application activity has dropped considerably. Due to the government shutdown in December 2018 the best comparisons are in the months of February through July. What is clearly seen is the real-life impact of FHA's October 2017 reduction of principal limit factors, a reduction of the interest rate floor from 5 to 3% and the elimination of lower upfront FHA insurance premiums for those borrowing less than 60% of available funds. Case numbers dropped approximately 40% in the early months of 2019. The gap closes considerably the comparing both years in the months November through February- a possible clue of application activity for the remainder of this year.

Next, are 2018 and 19 HECM endorsement volumes. Following the momentous October, 2017 changes endorsement volumes have fallen an average of 30% when compared to the previous year. A closer look comparing the first six months of fiscal years 2018 and 19 is quite another matter altogether. HECM endorsements are down 48% in the same period for the fiscal year 2019.

What's missing? Proprietary jumbo reverse mortgages. As of today, no jumbo lenders have published their monthly loan volume activity. That said, it would be a safe bet that adding jumbo loans to HECM endorsements would not significantly change the trends we have just examined.

More HECM originators have responded by pursuing specialization. That is, leveraging highly-specific and specialized marketing and networking relationships with professionals to reach potential borrowers who are most likely to qualify for the loan with adequate home equity and an acceptable credit history.

The purpose of today's episode is not to discourage our viewers, but rather provide the unflinching truth of where we stand as an industry. Acknowledgement of our current market condition is the bridge to innovation and eventual market growth.

Keep in mind, this program is only one half of the conversation. The other half is yours.