



**GinnieMae**

*Our Guaranty Matters*

2015

SEPTEMBER 21-22 | ARLINGTON, VIRGINIA



**GAMECHANGERS**  
2015 GINNIE MAE SUMMIT

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# HMBS Update

An Evolving Market



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# HMBS Current State Metrics

- Portfolio
  - \$52 Billion
  - 327,728 Loans
  - 8.3 Million Participations
- 14 HMBS Issuers with a Portfolio
- HMBS Issuance
  - FY 2014: \$7.1 Billion
  - FY 2015 YTD: \$8.0 Billion
- HREMIC Issuance
  - FY 2014: \$5.1 Billion = 72%
  - FY 2015 YTD: \$7.0 Billion = 86%

Note: FY 2015 YTD includes October 2014 through August 2015





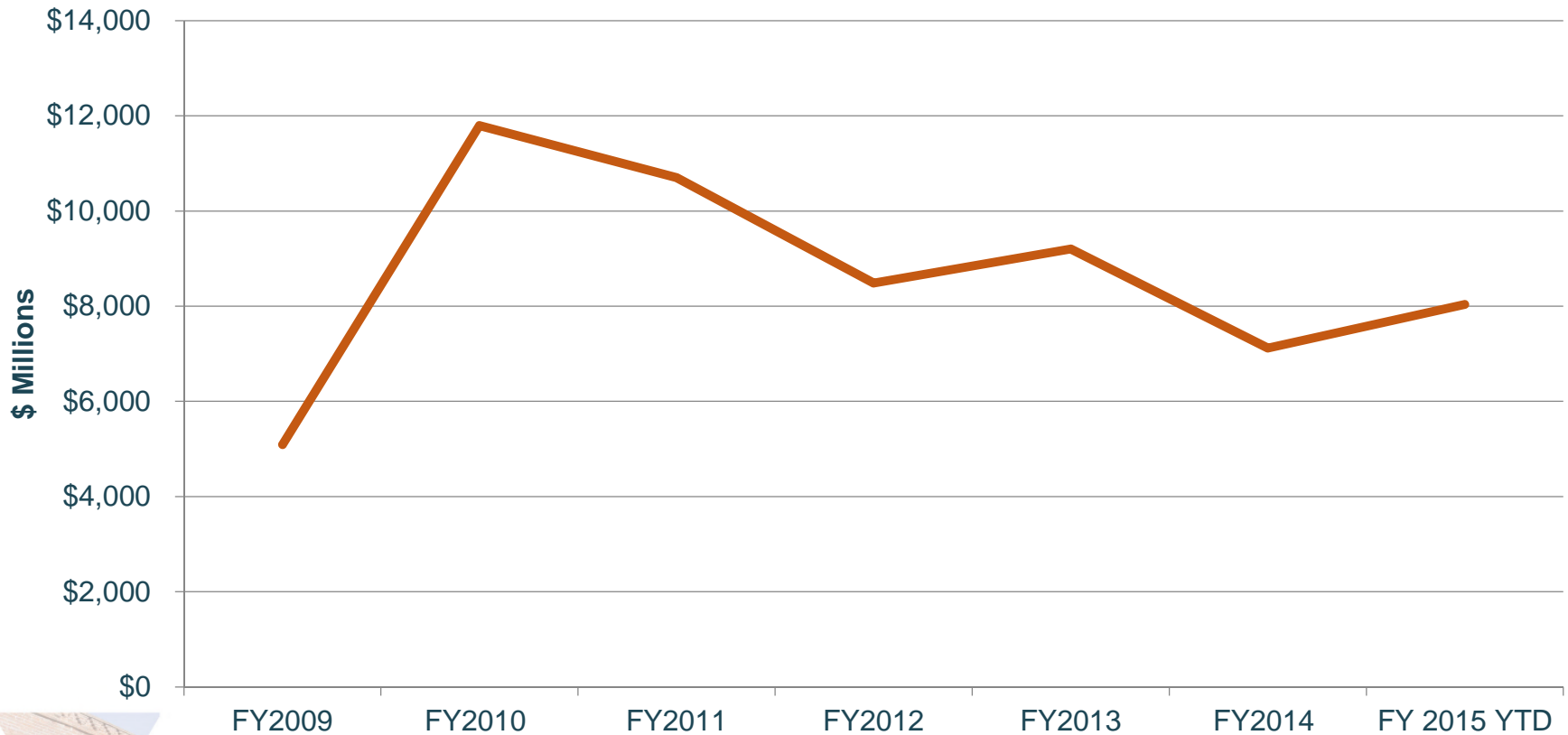
# Issuance



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# Issuance by Fiscal Year



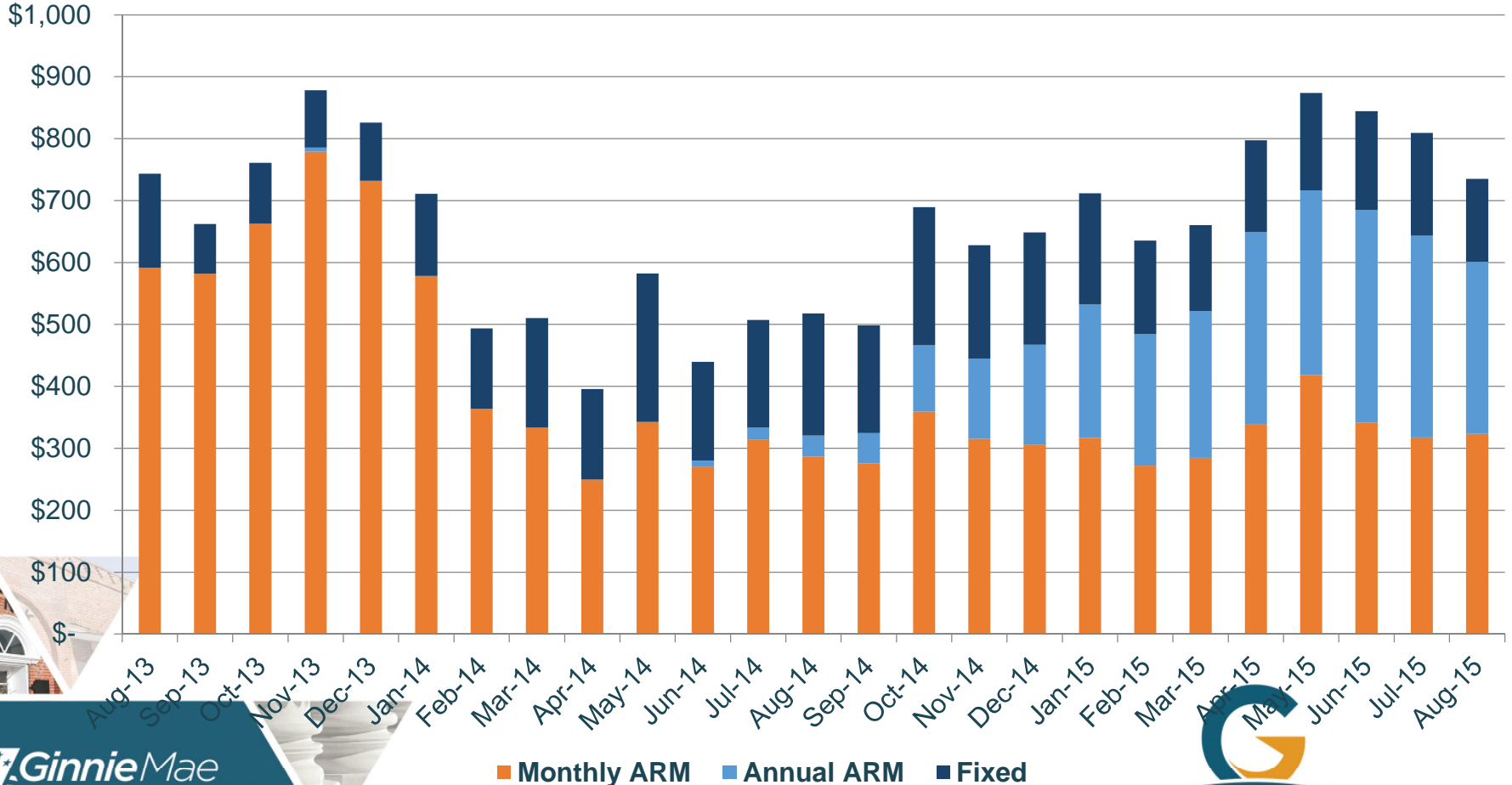
Note: FY 2015 YTD includes October 2014 through August 2015



# HMBS Issuance – Fixed vs. ARMs

In recent months, HECM/HMBS issuances have been primarily in ARM pools. Despite high growth in the Annual ARMs, the Monthly ARMs have the highest market share over the past 12 months.

**OPB (\$ Millions)**



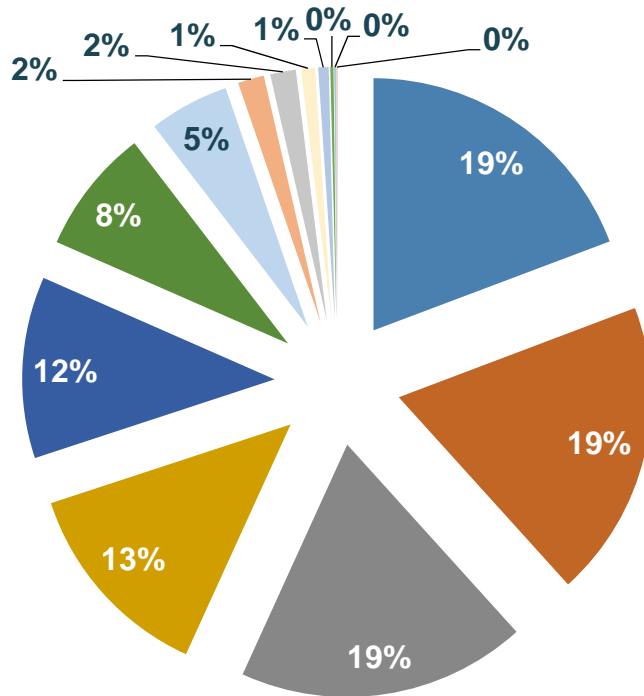
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# Issuer Concentration

In FY 2015 YTD, the top 3 Issuers constitute 57% of issuance share and the top 5 Issuers constitute 82%.

## FY 2015 YTD HMBS Issuance



- Reverse Mortgage Solutions, Inc.
- American Advisors Group
- Urban Financial of America, LLC
- Reverse Mortgage Funding, LLC
- Liberty Home Equity Solutions, Inc.
- Live Well Financial, Inc.
- Nationstar Mortgage, LLC
- Sun West Mortgage Company, Inc.
- Generation Mortgage Company
- Plaza Home Mortgage, Inc.
- Bank of America, N.A.
- Cherry Creek Mortgage Company, Inc.
- OneWest Bank, N.A.
- Silvergate Bank





# Portfolio



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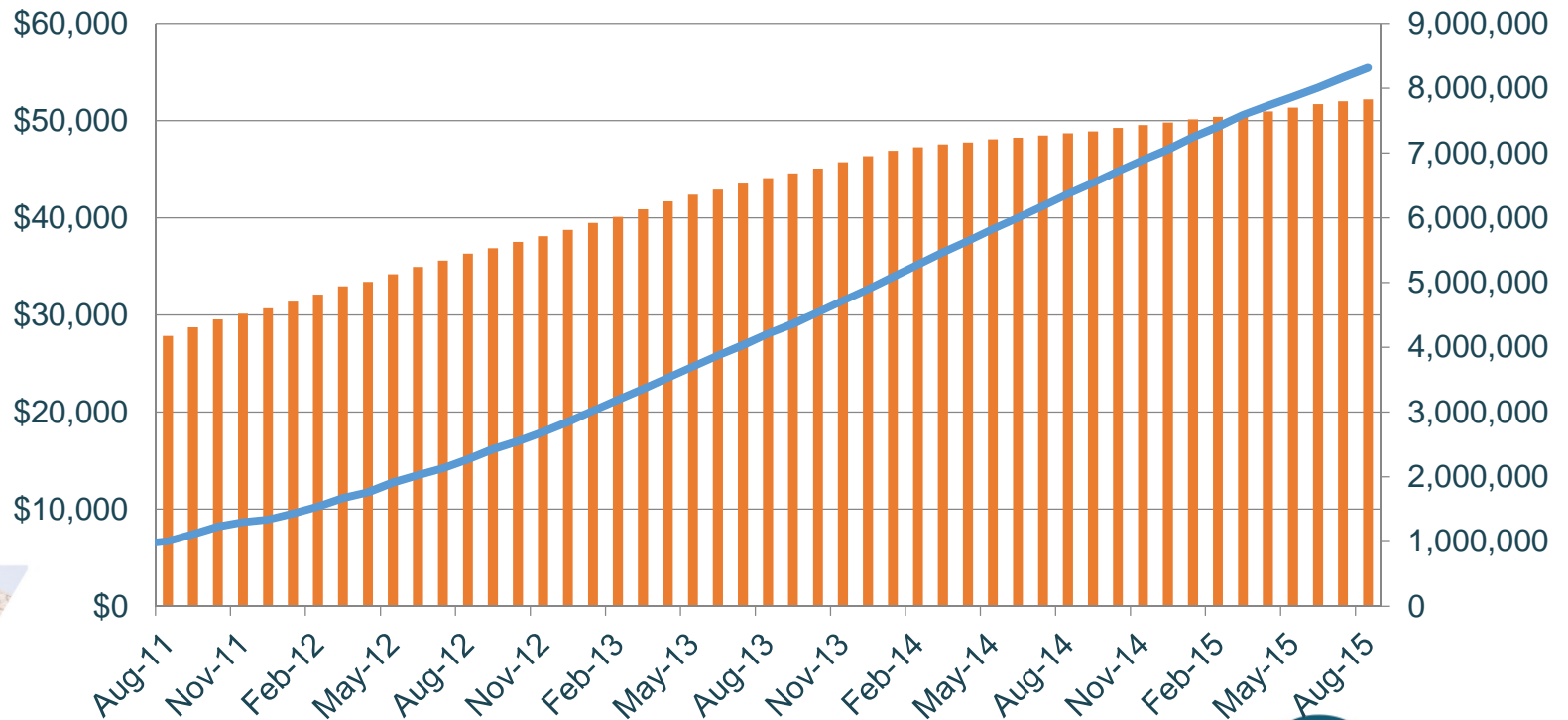


# HMBS Portfolio Growth

While the HMBS portfolio has grown steadily since the program began, monthly growth has slowed recently. Since February 2014, the portfolio UPB has only grown 7.2% while total participations have grown 30.6%.

UPB (Millions)

Number of Participations



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Portfolio UPB

Participations in Portfolio



# HMBS Portfolios by Issuer

Issuer Name	UPB (\$ Millions)	Participation Count
Nationstar Mortgage, LLC	\$17,588	3,856,634
Reverse Mortgage Solutions, Inc.	\$9,891	1,780,986
Urban Financial of America, LLC	\$7,863	1,289,438
Wells Fargo Bank, N.A.	\$4,205	151,919
American Advisors Group	\$2,885	231,306
Reverse Mortgage Funding, LLC	\$2,765	182,994
Live Well Financial, Inc.	\$2,287	307,208
Liberty Home Equity Solutions, Inc.	\$1,988	191,319
Bank of America, N.A.	\$1,831	240,172
OneWest Bank, N.A.	\$651	75,953
Plaza Home Mortgage, Inc.	\$132	3,259
Sun West Mortgage Company, Inc.	\$60	467
Silvergate Bank	\$25	1,808
Cherry Creek Mortgage Company, Inc.	\$16	164
<b>Total</b>	<b>\$52,186</b>	<b>8,313,627</b>



# Pre-Payments & Buyouts

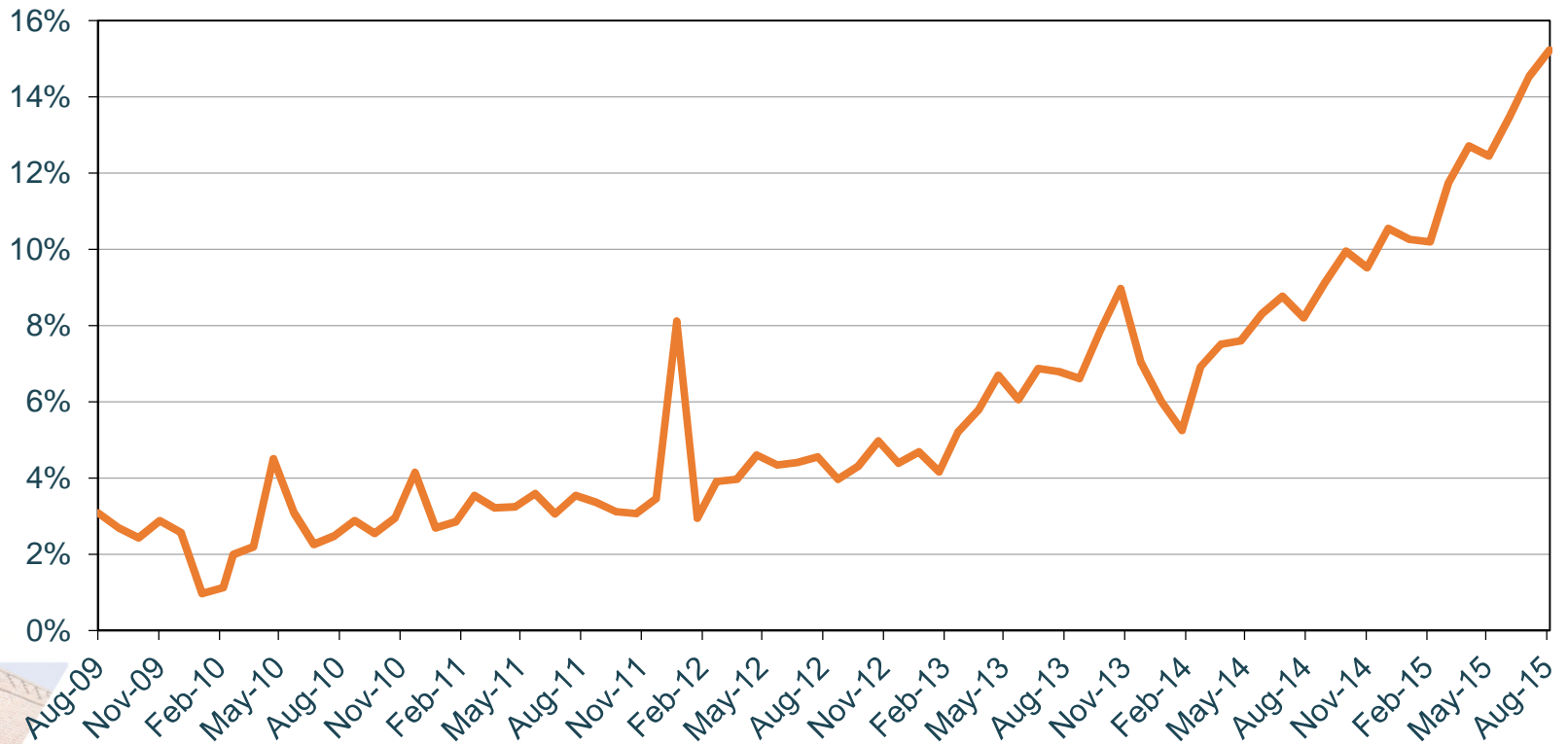


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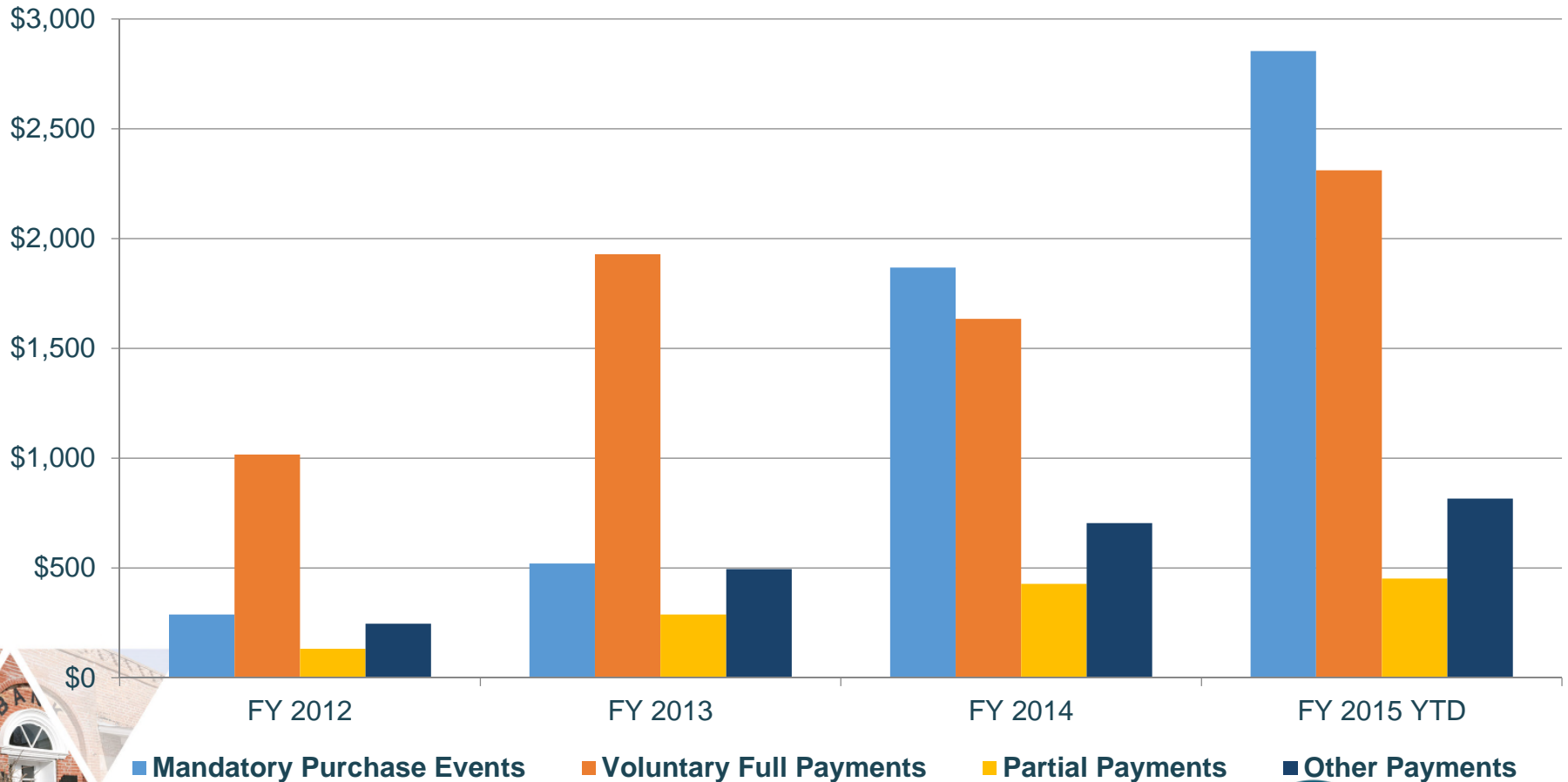
# Participations Liquidation Rate

Since February 2015, the annualized participation liquidation rate has grown rapidly, at an average of 84 basis points a month, to reach it's current level of 15.2% in August 2015, the highest in program history.



# HMBS Buyouts & Payment Activity

(\$ Millions)

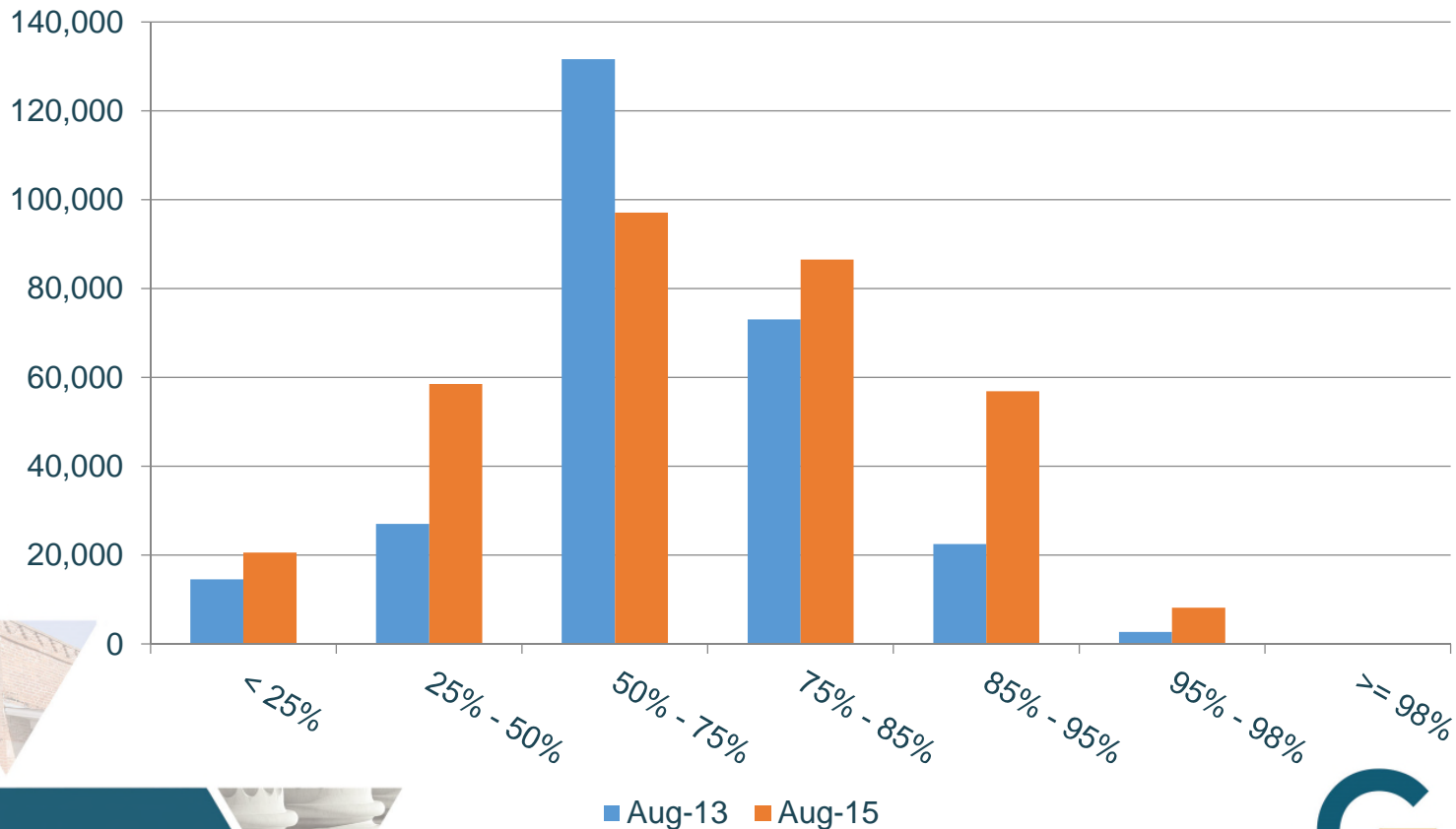


Note: FY 2015 YTD includes October 2014 through August 2015  
 Other Payments includes Borrower Death, Due & Payable Status Optional Buyout, and Foreclosure

# HECM UPB as a % of Max Claim Amount

46% of HECMs had UPBs greater than 75% of their Maximum Claim Amounts, while 24% percent were below 50% of their Maximum Claim Amounts as of August 2015.

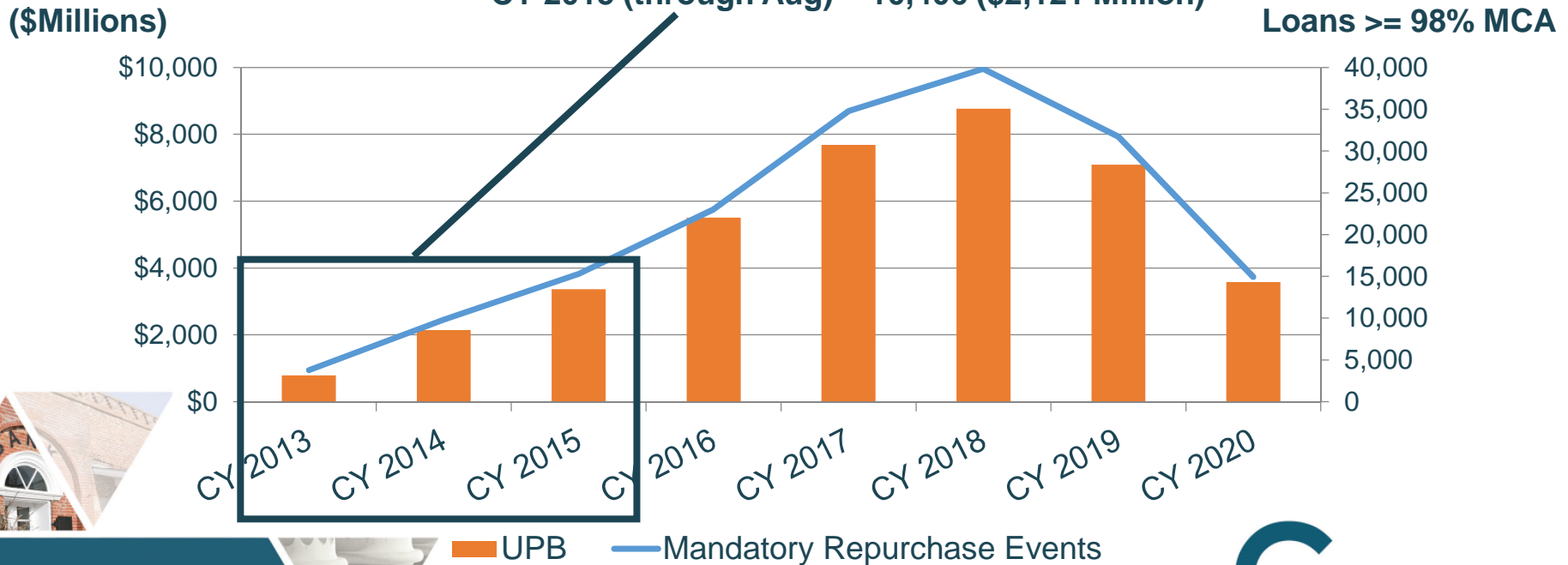
## Loans



# Projected Mandatory Purchase Events

The estimated number of loans that will exceed 98% of max claim amount and trigger a mandatory purchase event is projected to grow rapidly from CY 2016-2019. By the end of CY 2020, it is estimated that 3,783 pools (81% of the current active pool count) will be affected by mandatory purchase events. Between CY 2016 – 2020, a projected \$32.6 billion in UPB will be bought out of the program due to mandatory purchase events.

**Observed Mandatory Purchase Events:**  
**CY 2013 – 3,791 (\$786 Million)**  
**CY 2014 – 9,828 (\$2,147 Million)**  
**CY 2015 (through Aug) – 10,406 (\$2,121 Million)**



Note: UPB was projected using the current interest rate on the loan and assumed no partial or other full liquidations. The loan counts are not cumulative. E.g., If a loan exceeds the 98% threshold in CY 2016 it is assumed to be bought out before CY 2017.



# Policy Update & Efforts Underway



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# HMBS Policy Update

- Specific HMBS APMs Published since Sept. 2014
  - 14-20: Different Interest Rate Change Dates Allowed in HMBS Annual ARM pools
  - 15-01: New HMBS Data Elements – Non-Borrowing Spouse & Property Charges Set Aside
  - 15-02: Periodic Maintenance of HMBS Data Elements Provided
- APM 14-15 Demonstrated Participation/Dormant Issuer
- APM 14-16 New Net Worth & Liquidity Requirements
  - Sum of requirements for issuers participating in more than one program *as opposed to* greater of the program requirements
- APM 15-04 Issuer Operational Performance Profile



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# HMBS Efforts Underway

- Data Disclosures
  - Implement HMBS enhanced pool-level look-up functionality and add it to the Disclosure Data Search on the Ginnie Mae website
  - Introduce new data elements to disclosures to encourage REMIC utilization
  - Move up release date of data to 8<sup>th</sup> business day from 10<sup>th</sup> business day
- Multiclass Securities
  - Re-REMIC capability for HMBS
- HMBS Investor Reporting Manual



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# FHA's Office of Single Family Housing

*GameChangers*  
2015 Ginnie Mae Summit

## FHA Home Equity Conversion Mortgage Update

Washington DC  
September 21, 2015

Presented by:

**Karin Hill**

Senior Policy Advisor

FHA Single Family DAS Office





# FHA Single Family Priorities

## Ensure Long-term Viability of MMI Fund

*Balancing our mission with sound lending practices to ensure the health of the Mutual Mortgage Insurance Fund*

## Making it Easier to Do Business

*Working with the industry participants to enhance business processes, communication, and policy clarity*

## Expanding Access to Credit

*Implementing responsible ways of providing first-time homebuyers and underserved, credit worthy borrowers access to credit to ensure long-term homeownership success.*





# Ensuring MMI Fund Viability And HECM Program Sustainability





## HECM in Transition: Program Sustainability

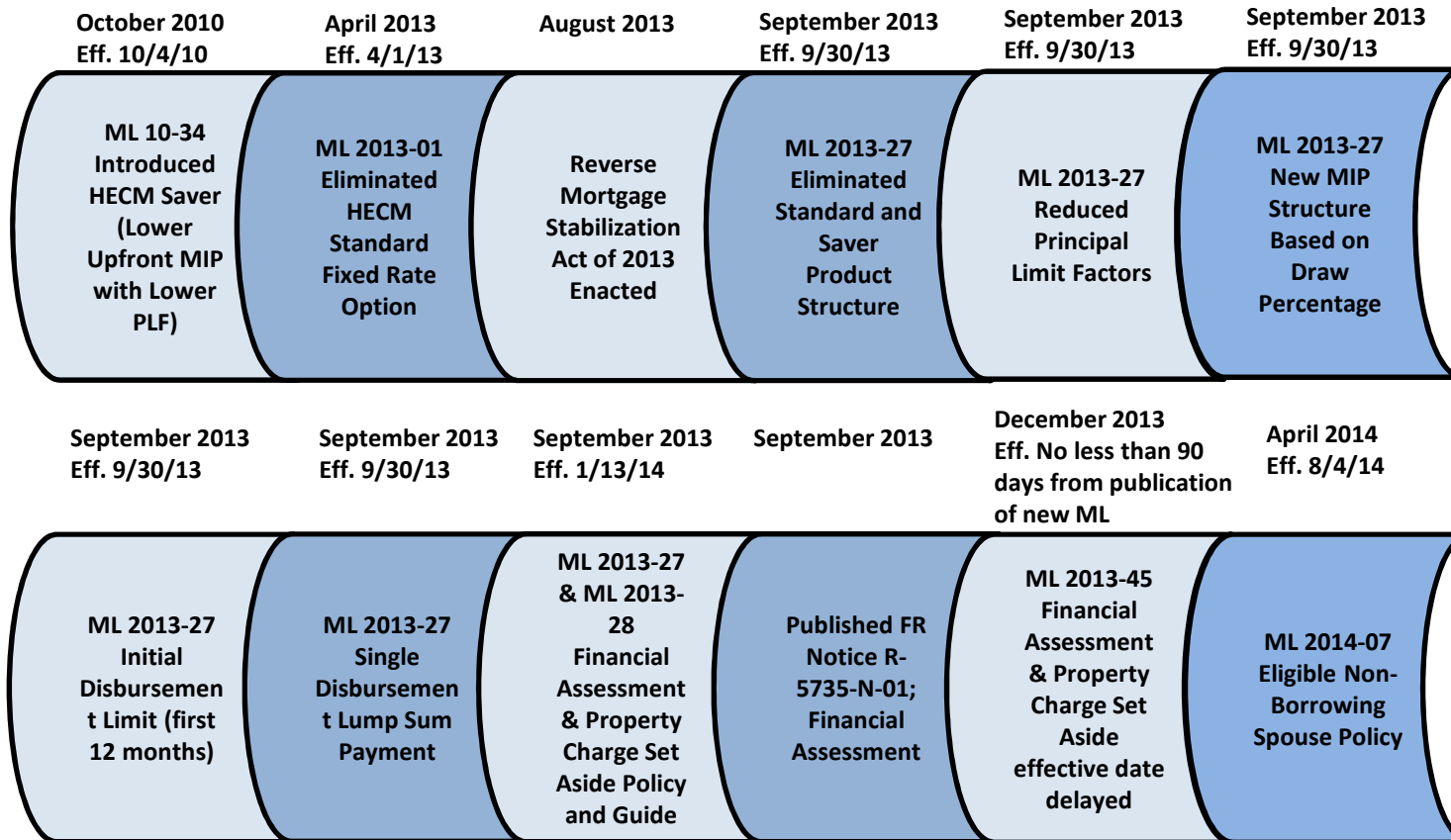
- Reduce risk to the MMI Fund:
  - Product structure (fixed-rate products/large draws at close); and
  - Taxes and Insurance defaults.
- Sustainable solution for the borrower:
  - Ability to meet requirements of the loan; and
  - Long term access to equity to support ability to age in place vs. use of program as a crisis management tool.
- Non-Borrowing Spouses.
- Reputation Risk: Marketing and Sales Practices.
- Loss Mitigation and Due and Payable Servicing Guidance.





# Key Changes to the HECM Program: A Timeline

(Effective Date means policy applies to case numbers assigned on or after the date)

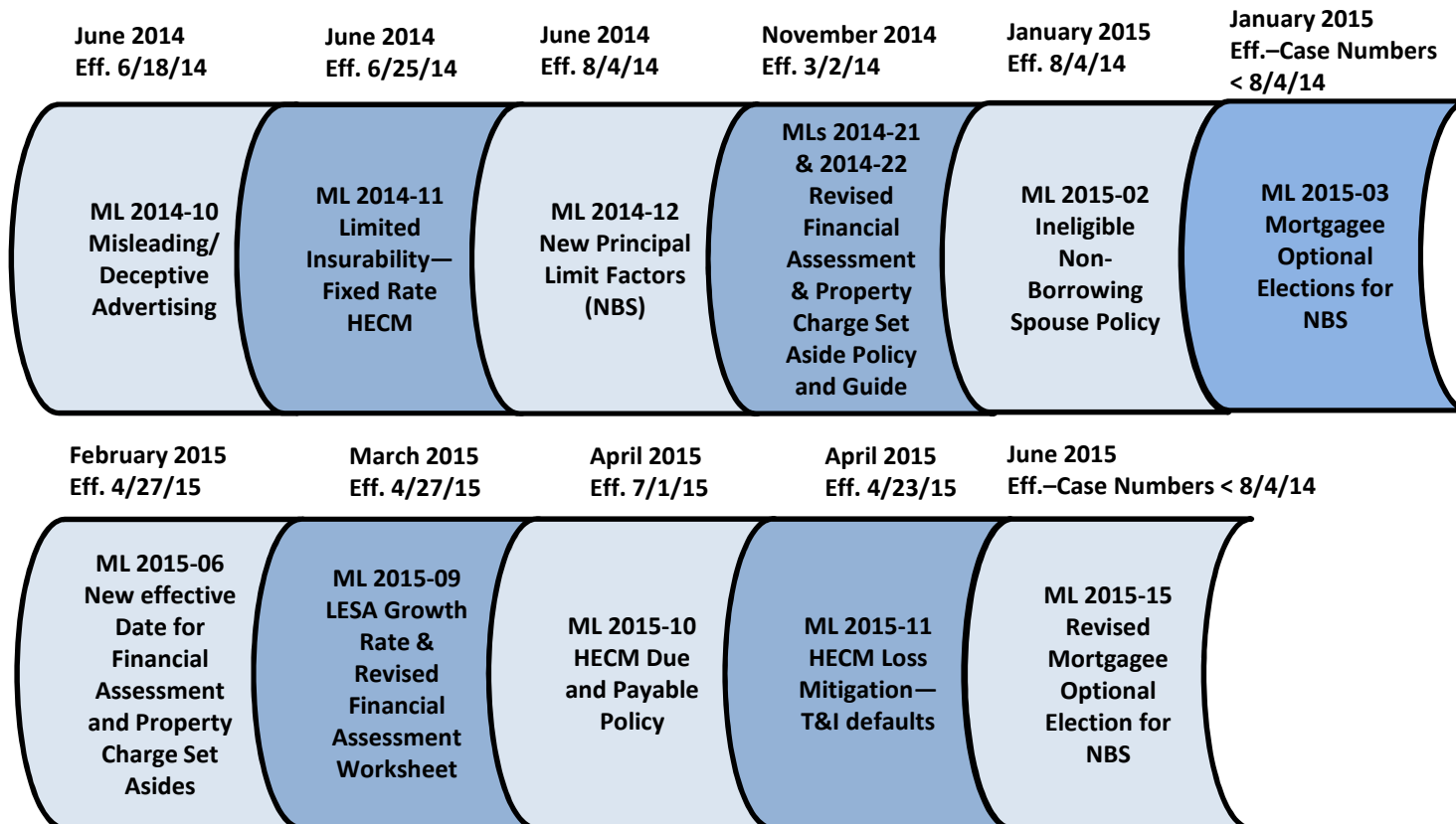






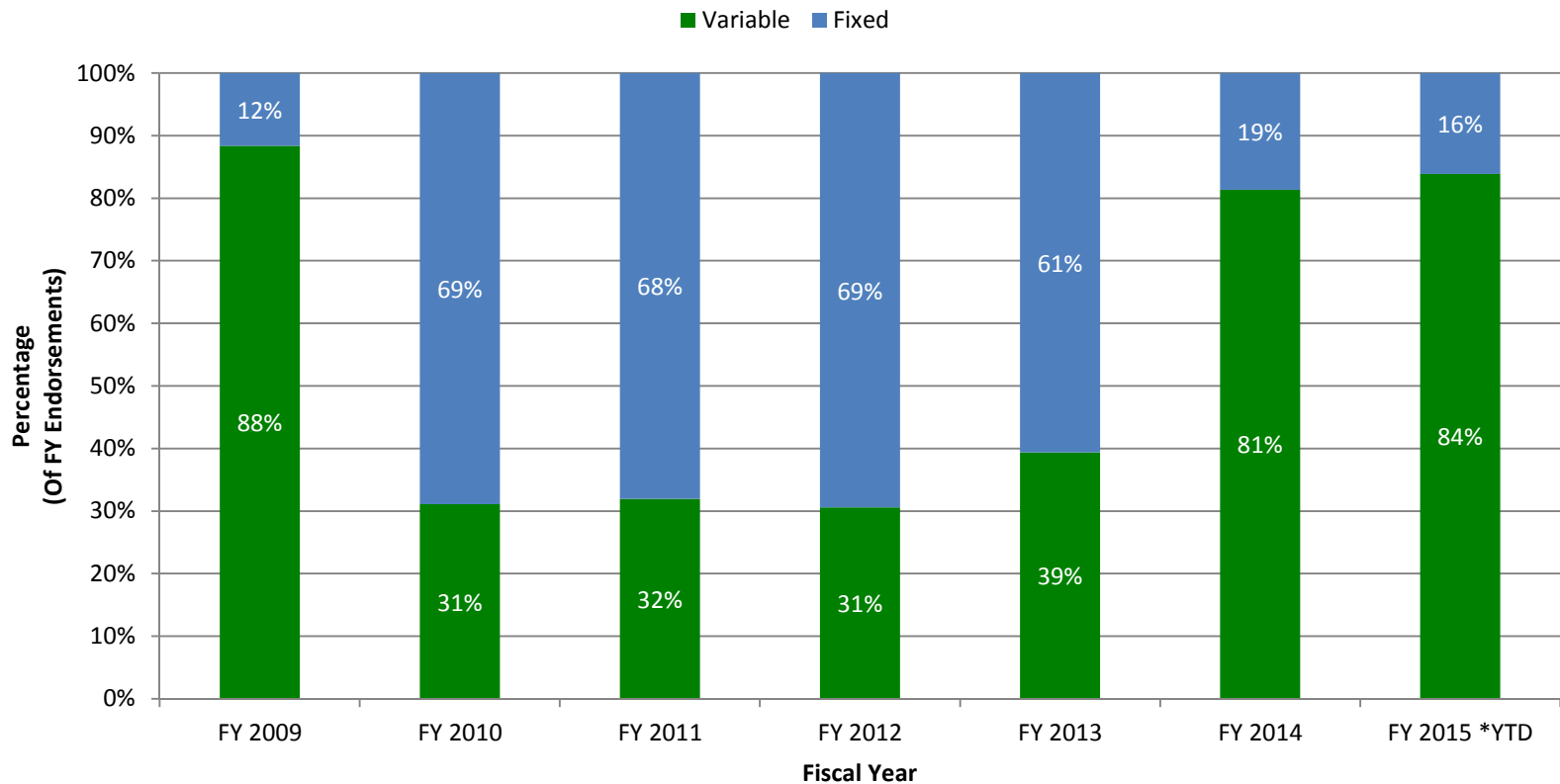
# Key Changes to the HECM Program: A Timeline (cont.)

(Effective Date means policy applies to case numbers assigned on or after the date)





# HECM Endorsement Portfolio Snapshot: FY 2009 – FY 2015 YTD HECM Interest Rate Type

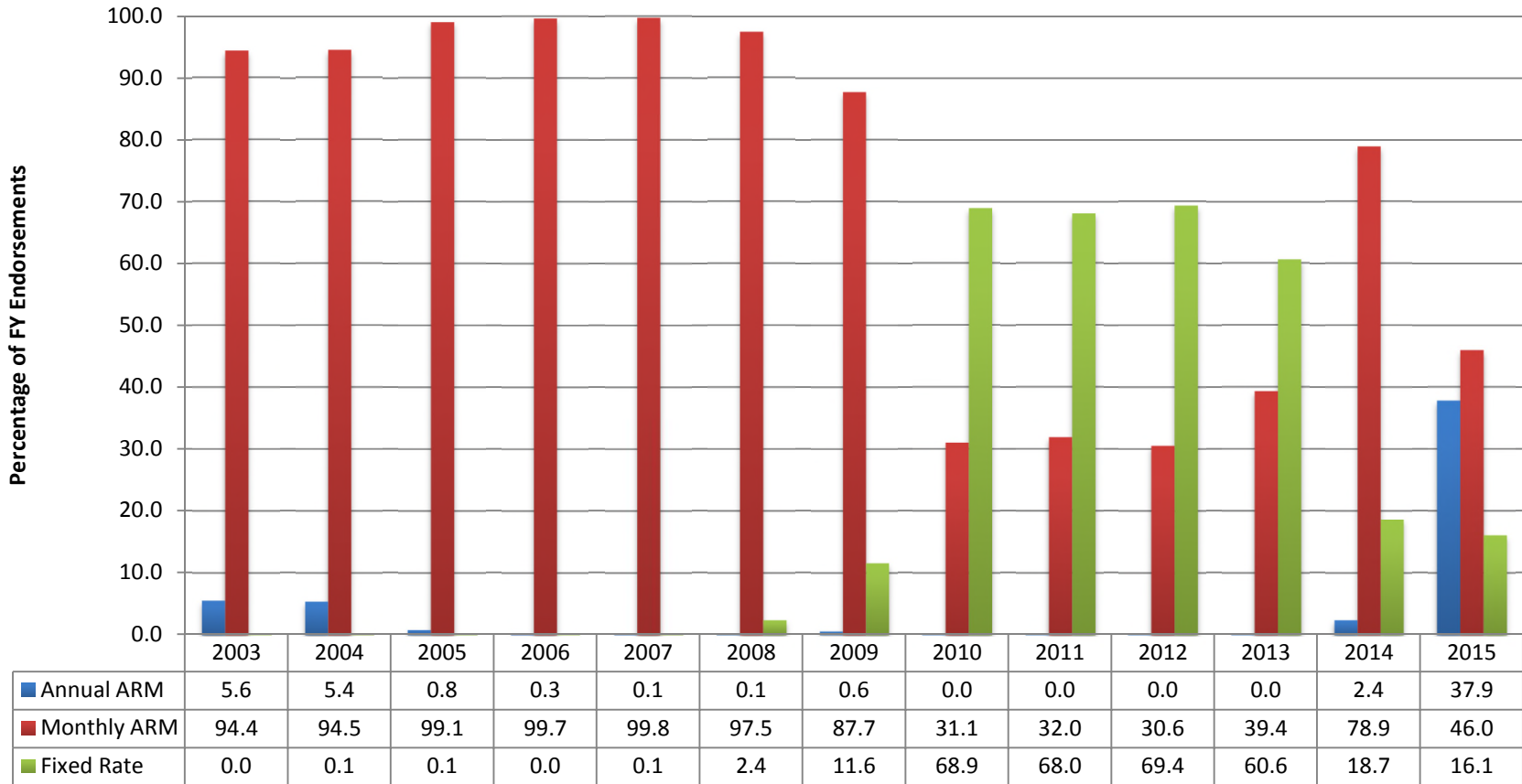


• Data as of July 31, 2015



# HECM Endorsement Portfolio Snapshot:

## HECM Endorsements by Interest Rate Type



• Data as of July 31, 2015

# HECM Endorsements by Rate Type

Endorsement Fiscal Year	Adjustable Rate		Fixed Rate	Fiscal Year Total
	Annual	Monthly		
1990	90.3	0.0	9.7	145
1991	97.3	0.0	2.7	368
1992	98.7	0.0	1.3	951
1993	99.1	0.2	0.7	1,805
1994	99.1	0.2	0.7	3,134
1995	94.0	4.8	1.3	3,942
1996	84.2	15.5	0.4	3,461
1997	46.9	53.0	0.2	5,033
1998	18.9	81.1	0.1	7,727
1999	8.5	90.6	1.0	7,855
2000	6.7	93.2	0.2	6,749
2001	4.6	95.3	0.1	7,984
2002	4.2	95.8	0.0	13,275

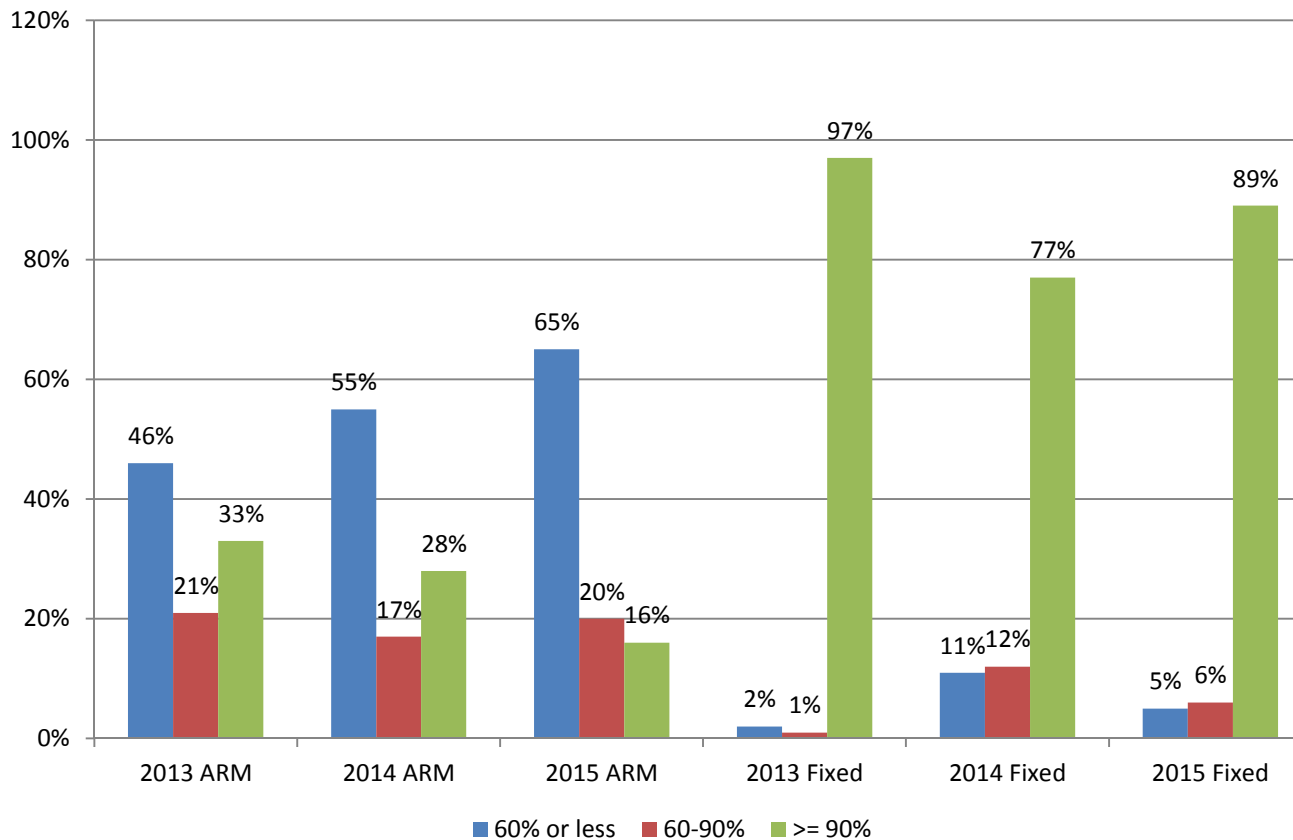
Endorsement Fiscal Year	Adjustable Rate		Fixed Rate	Fiscal Year Total
	Annual	Monthly		
2003	5.6	94.4	0.0	18,252
2004	5.4	94.5	0.1	37,886
2005	0.8	99.1	0.1	43,049
2006	0.3	99.7	0.0	76,094
2007	0.1	99.8	0.1	107,417
2008	0.1	97.5	2.4	112,049
2009	0.6	87.7	11.6	114,413
2010	0.0	31.1	68.9	79,058
2011	0.0	32.0	68.0	73,109
2012	0.0	30.6	69.4	54,818
2013	0.0	39.4	60.6	59,923
2014	2.4	78.9	18.7	51,615
2015	37.9	46.0	16.1	47,552
<b>Grand Total</b>	<b>4.6</b>	<b>72.8</b>	<b>22.6</b>	<b>937,664</b>

• Data as of July 31, 2015



# HECM Endorsement Portfolio Snapshot:

## Average Initial Cash Draws



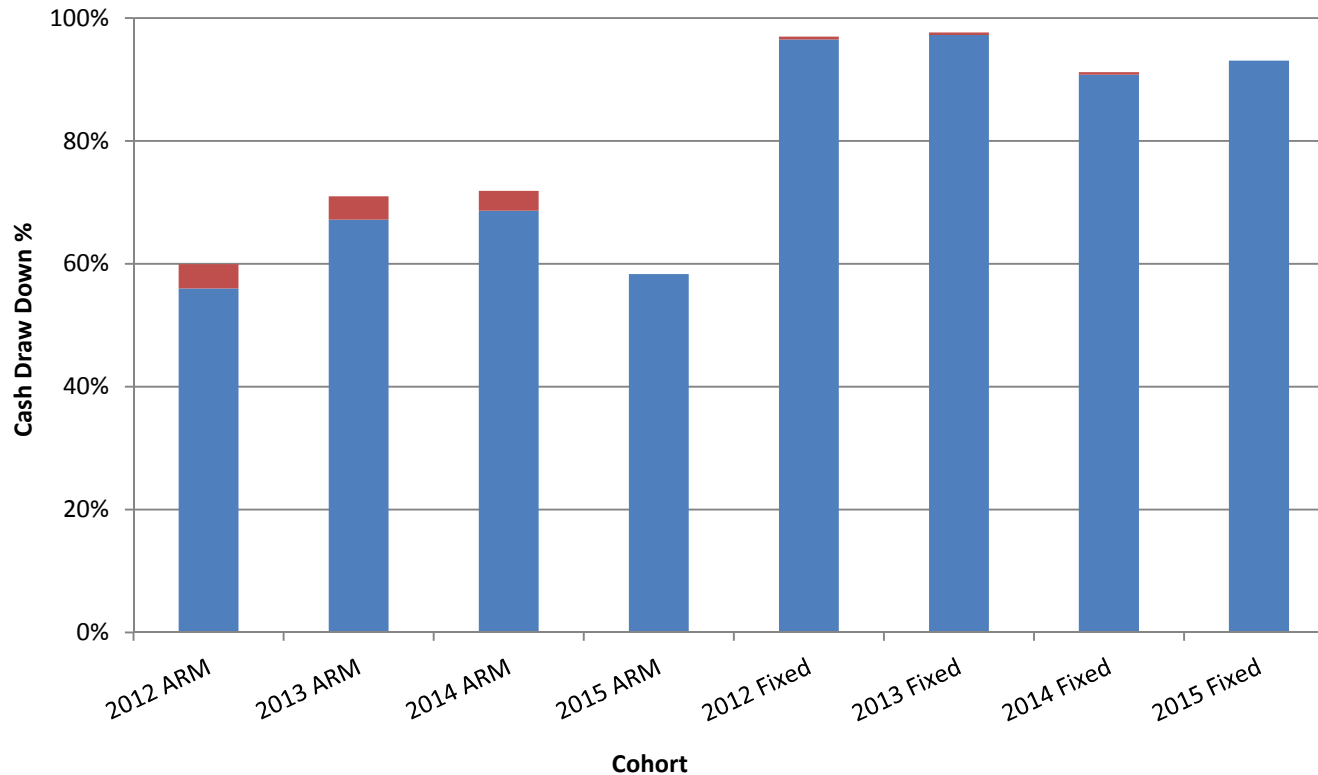
•Data as of June 30, 2015





# HECM Endorsement Portfolio Snapshot:

## Cash Draw Down Percentage Before and After Policy Month 12



■ Cash Draw % - (Months 13, 14, 15)      ■ Cash Draw % - (Months 1-12)

•Data as of June 30, 2015

•Cash Draw % for cohort 2015 months 13, 14 & 15 is 0%; no experience 13 months past endorsement





# HECM Applications by Product Type

FHA Reverse Mortgage (HECM) Application Activity by Month, 2014 - 2015				
Calendar Year	Month	Application Count	New HECM Product (Counts)	
			Fixed	ARM
2014	Jul	5,823	1,535	4,288
	Aug	11,415	2,717	8,698
	Sep	7,788	1,700	6,088
	Oct	8,471	1,862	6,609
	Nov	7,004	1,321	5,683
	Dec	7,680	1,400	6,280
2015	Jan	6,537	1,009	5,528
	Feb	9,758	1,430	8,328
	Mar	9,331	1,342	7,989
	Apr	13,488	1,866	11,622
	May	4,186	620	3,566
	Jun	6,183	904	5,279
	Jul	6,350	1,080	5,270

• Data as of July 31, 2015





# HECM Applications by Loan Purpose

FHA Reverse Mortgage (HECM) Application Activity by Month, 2014 - 2015					
Calendar Year	Month	Application Count	Loan Purpose (Counts)		
			Purchase	Refinance	Traditional
2014	Jul	5,823	231	318	5,274
	Aug	11,415	358	806	10,251
	Sep	7,788	236	636	6,916
	Oct	8,471	256	832	7,383
	Nov	7,004	210	781	6,013
	Dec	7,680	249	769	6,662
2015	Jan	6,537	212	585	5,740
	Feb	9,758	228	897	8,633
	Mar	9,331	287	913	8,131
	Apr	13,488	437	1,359	11,692
	May	4,186	213	453	3,520
	Jun	6,183	278	682	5,223
	Jul	6,350	250	690	5,410

• Data as of July 31, 2015







# HECM Endorsements with Non-Borrowing Spouse

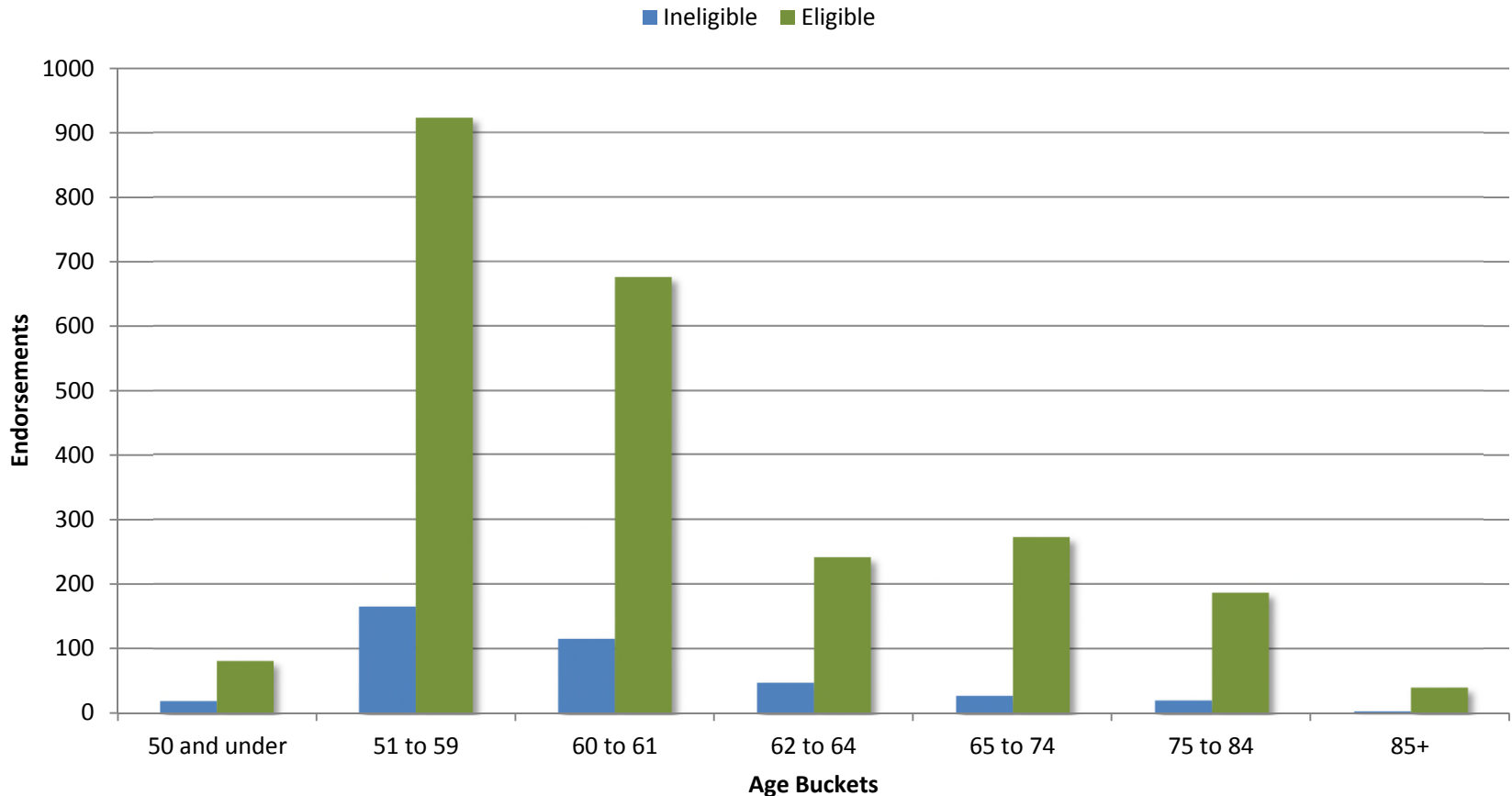
	Age Group of Non-Borrowing Spouse							TOTAL
	50 and under	51 to 59	60 to 61	62 to 64	65 to 74	75 to 84	85+	
Ineligible	20	166	116	48	28	21	4	403
Eligible	82	924	677	242	273	187	41	2,426
Total	102	1,090	793	290	301	208	45	2,829

\* Data as of July 31, 2015



# HECM Endorsements with Non-Borrowing Spouse

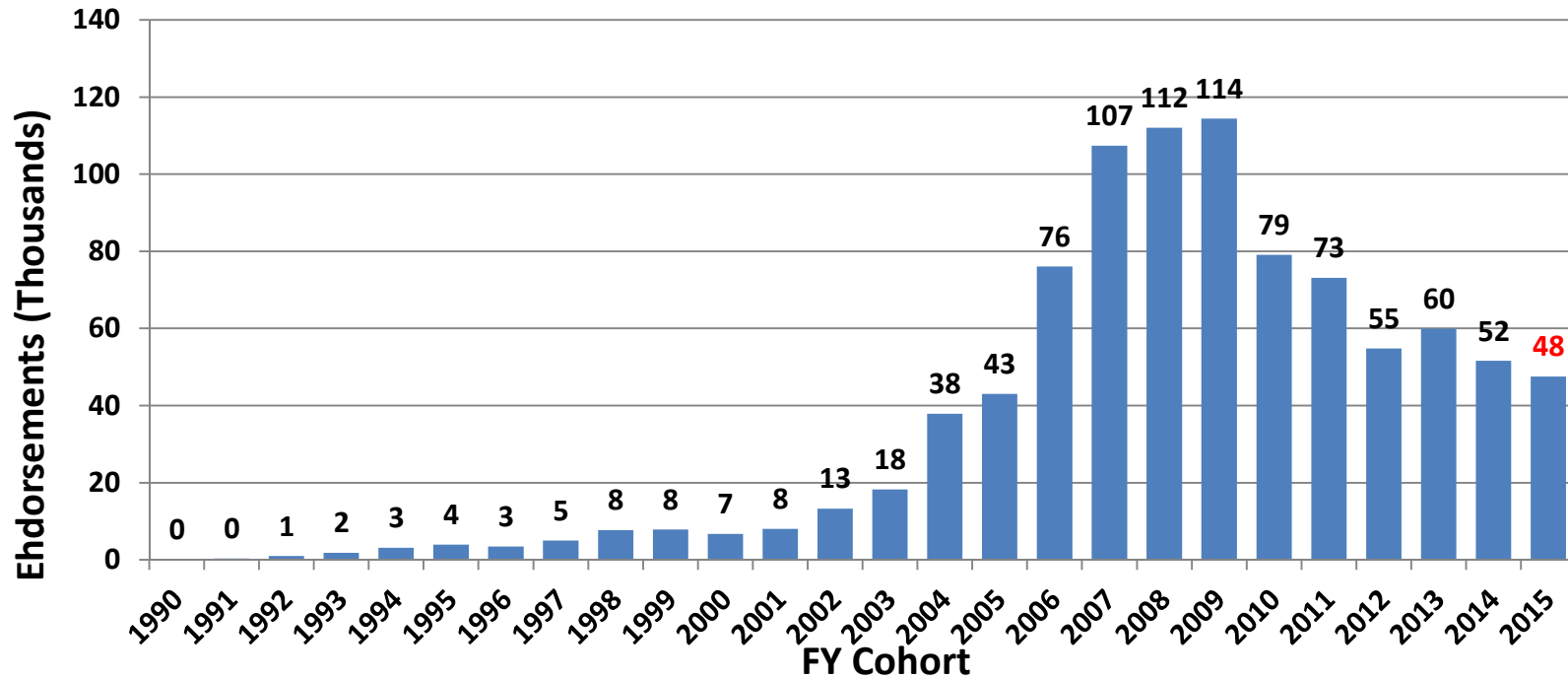
## Age Distribution of Non-Borrowing Spouse



\* Data as of July 31, 2015

# HECM Endorsement Portfolio Snapshot:

## Volume



Maximum Claim Amount (in billions)											
FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
\$ 6.9	\$ 8.9	\$ 17.9	\$ 24.6	\$ 24.2	\$ 30.1	\$ 21.1	\$ 18.2	\$ 13.2	\$ 14.7	\$ 13.5	\$ 13.0

•Data as of July 31, 2015



# HECM Endorsement Portfolio Snapshot: Volume and Composition

- Volume:
  - 938,199 HECM insurance endorsements to date (Oct 1, 1989 through July 31, 2015)
    - \$217.0 Billion
- Current composition of portfolio:
  - 290,741 loans have terminated
    - \$62.1 Billion
  - 616,039 loans are actively insured
    - \$148.3 Billion
  - 31,207 loans are assigned to HUD as active notes in inventory
    - \$6.6 Billion





# HECM Financial Assessment How Are We Doing?





# Financial Assessment Update

- Financial Assessment requirements became effective for HECMs with case numbers issued on or after April 27, 2015.
- Through August 31, HUD issued 22,909 HECM case numbers since that effective date
- As of August 31, 2015
  - 3,918 loans have closed
  - 1,879 have been endorsed.





# Financial Assessment Update Webinar: September 23, 2015

- 2:00 p.m. – 4:00 p.m., Eastern
- Includes:
  - Review of Financial Assessment and Compensating Factor policies;
  - Review of Property Charge Calculations
  - Case studies
- Details and registration link on FHA Single Family Events and Training web page at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/fh/events](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/fh/events)





# HECM Servicing Policies

- Mortgagee Letter 2015-10: HECM Due and Payable Policies.
- Mortgagee Letter 2015-11: HECMs in Default Due to Unpaid Property Charges (Loss Mitigation Options)
- Mortgagee Letter 2015-15: Mortgagee Optional Election Assignment for Non-Borrowing Spouses on loans with case numbers issues prior to 8/4/14
- FHA Info #15-42 – Extension for submitting due and payable requests for loans that default for taxes and insurance on, or after, April 23, 2015 based on certain conditions.







# Making It Easier To Do Business With FHA





# Making It Easier To Do Business with FHA

- FHA Connection Releases to Support New Policies
- HERMIT Releases to Support HERMIT/Servicer Data Reconciliation and New Policies
- Quarterly HERMIT Advisory Committee (HAC) Meetings
- Claims Process
- Assignment Process
- Training
- *Single Family Housing Policy Handbook* Update – HECM Section



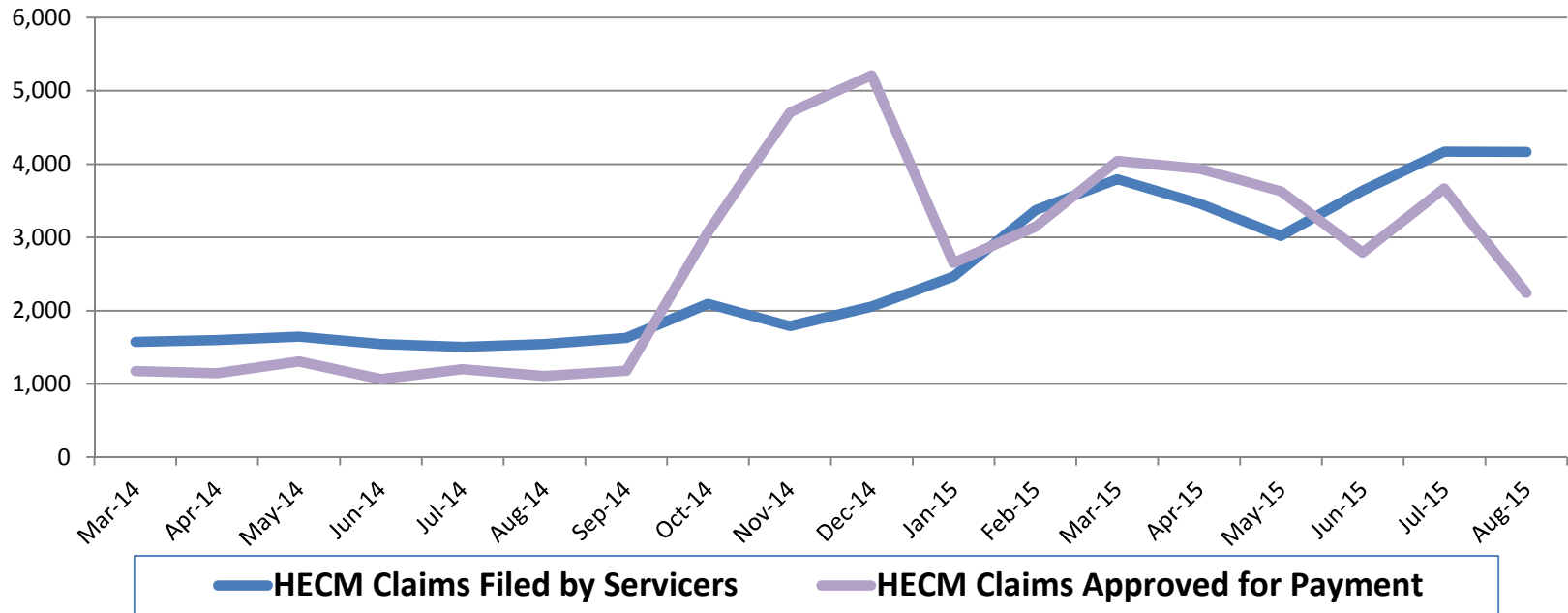


## Post Closing Processes

- Since 2007, the average time between the closing date and endorsement date is approximately 50 calendar days.
- Assignments
  - Assignment requests are being reviewed within 15 business days of the initiation of the CT-22 Assignment Request timeline in HERMIT.
- Claims Process – Albany Financial Operations Center (FOC)
  - Developed new tools to improve the claim submission and review process.
  - Restructured FOC; Added to Staff; Expanded Use of Overtime; Internal Training.
  - Industry Outreach.

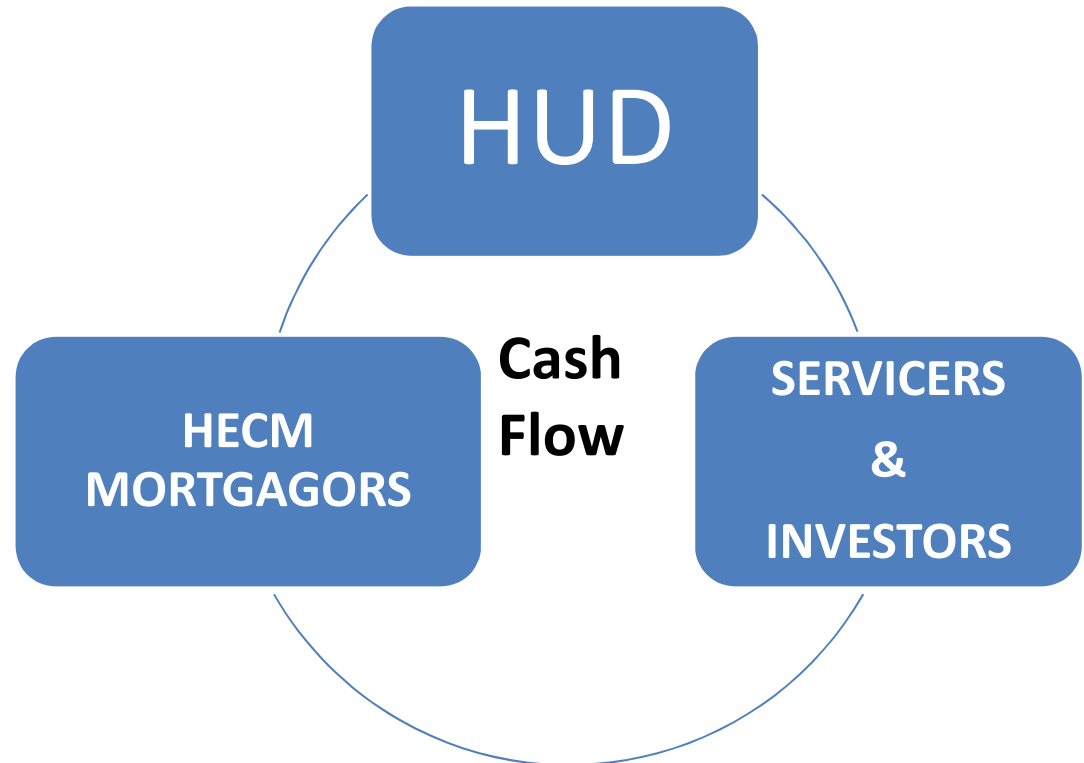


# Claims Filed/Claims Approved



# Albany HECM Team Enhancements Increase Investor Monthly Cash Flow

- Approved \$2.77 billion in claim payments  
(FY 2015, as of July 31, 2015)
- Average age of HERMIT-based claims now less than 60 days





# HECM-Related Resources





## For More Information

- Topics discussed today – as well as other HECM-related resources – are available on the HECM web pages at: [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hecm](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm)
- Resources include:
  - Handbooks, Mortgagee Letters, and other policy guidance;
  - Principle Limit Factor tables;
  - Model documents, including the revised model worksheet;
  - Archived training presentations; and
  - Information on installing or upgrading the HECM calculation software on FHA Connection and HERMIT.





## For More Information (cont.)

- Setting up a Business-to-Government Connection for FHA Connection:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/f17c](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/f17c).
- Assessing the HECM Financial Assessment and Property Charge Requirements for Underwriters and Processors:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/events/sfh\\_webinars](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/events/sfh_webinars).
- Temporary procedures for FHAC's Financial Update screen and HECM Calculator software:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hecm](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm)







# The FHA Resource Center

- Phone: Monday-Friday, 8 AM to 8 PM, Eastern Toll Free **(800) CALL-FHA** or (800) 225-5342.
- Email: **answers@hud.gov** .
- Online: [www.hud.gov/answers](http://www.hud.gov/answers). **1600+ Qs and As** addressing 90 percent of our phone calls **and** announcements of policy changes and training opportunities.
- *FHA INFO* emails: Frequent email notifications of new policies and training opportunities for anyone who is registered.

