



## Reverse Mortgage Industry Data Cooperative Value Proposition to Lenders

Reverse Market Insight (RMI) has made great progress in establishing an industry data repository since signing an exclusive partnership with the National Reverse Mortgage Lenders Association (NRMLA), including adding the largest retail reverse mortgage lender as a founding data participation member. Despite the leadership by a key lender and the trade group, greater participation is needed by lenders to provide key benefits to the industry and individual lenders in growing the reverse mortgage.

### Industry Benefits

Industry press is generally positive, but we are too often under attack by people relying on anecdotes rather than facts. Consequently we react and do 'damage control'. We have been effective in responding with logic supported by facts, but frankly we must expand our information base to respond even better in the future. Industry participants are compromising industry prospects by not providing data in this initiative. The industry must have full data to tell a comprehensive story. Our opportunity is to:

- Build a *proactive campaign* to tell the industry story and to **'sell' industry benefits**.
  - Product usage by seniors
  - Direct employment in the industry
  - Indirect economic effects of cash utilization for construction, healthcare, etc.
  - Individual asset utilization for medical services vs. reliance on Medicare and other public benefits
- Access real data to **defend our industry from attacks** (overpower anecdotal bad news with factual great news).
  - Industry historical performance relative to mortgage insurance, subsidies, etc.
  - Historical performance of borrower costs vs. cash benefits, particularly calculating typical TALC costs from borrower actual usage

### Company Benefits

Many industry members are analyzing data to make fact-based conclusions in support of better business decisions. Most are leveraging only a small fraction of the insights that analysis of the data can provide. And, again, the more data input into the repository, the more insightful the conclusions will be. Inspired users will make better decisions in order to outperform others in growing their company performance, profitability, and market value. Opportunities abound:

## Origination Activities

- Sales Management – *Provide managers timely, accurate and comprehensive performance reporting at a local level to make critical business decisions*
  - Market Share
    - Fundings, Applications, Pipeline & Fallout
    - Including Non-HECM Products
  - Economic Trends
    - Consumer Preferences - Origination Fees, UPB, Draws
    - Product Features – ARM vs. Fixed, Rates, etc.
  - Competitive Analysis
    - **Track cancels** to identify competitive losses due to product features and/or pricing (customers cancel to complete loan elsewhere)
- Marketing – *Increasing factors available to campaign performance analysis to include market health metrics promotes faster learning for effective media/lead spending and efficient profiling of likely customers*
  - Campaign Management
    - Add **customer, market and product** analysis dimensions to maximize campaign performance management
    - Analyze past campaign performance to influence future campaign **geographic targeting, messaging, and list filtering**
  - Consumer Profiling/Segmentation
    - Demographics
    - Economic Motivations
- Operational Performance
  - Detailed Turn Times, U/W Conditioning, etc.
  - Cost to Originate
  - Cost to Cancel
- Compliance – *Ensure compliance with regulatory standards for data submission, ensuring auditors have exactly what they need in the format required to reduce audit pressure on internal staff*
  - OTS data collection requirements, other regulators expected to follow (12/2010) (<http://edocket.access.gpo.gov/2009/E9-19908.htm>)
  - HUD eliminating broker FHA approval places more direct responsibility on wholesale lenders, ensure internal approval processes have benefit of pertinent broker information to mitigate counter-party risk
- **Secondary Market & Investment Considerations**
  - RMSR Valuation – *Provide critical information for accurate termination and cash flow projections to accurately price for purchase/sale and balance sheet accounting*
    - Increase availability and sample depth of key variables for asset pricing, including broad product performance data by geography, collateral type, age, gender, marital status, etc.

- Reverse Mortgage Asset Investment – *Foster investor interest in the asset class to promote market liquidity and robust pricing through reduced risk discounts*
  - Provide comprehensive source of detailed asset performance data from a verifiable third party source, mitigating selection bias and small sample size risks for investors
- **Product Development**
  - Target Customer Niches – *Identify under-represented groups in past customer profiles vs. broader customer universe*
  - Product Refinement & Evolution – *Combine results of marketing and customer segmentation above to design incremental product features attractive to sub-sets of the broader customer universe*

## Conclusion

We are honored to work with NRMLA and its member companies in building this critical data repository. We urge you to participate and partner with us in ensuring the repository supports the broad challenges ahead in your efforts to grow the industry.

- **F**lexible – Loan level data can provide answers to future questions not possible through surveys, **evolving** with the industry to answer future business needs
- **A**ccurate – Thorough de-duplication checks and data redundancy ensure loans are counted only once, so your numbers are **reliable**
- **C**onfidential – Participants retain control of how repository data is used through an **oversight panel** with responsibility to balance desired reporting outputs against confidentiality of participant data
- **T**rusted – RMI’s client list includes **8 of the top 10** leading lenders, and industry’s largest retail lender already participating in repository
- **S**ecure – Data management best practices followed to ensure repository data is transmitted, stored and accessed to minimize risk of data loss, including **SAS70 certified data centers** and **encrypted** data storage and transmission

I personally invite your reverse mortgage leadership team to help us prioritize the business requirements above to meet your needs as an industry leader. With your participation, I am confident that the repository can meet your needs for greater access to information, as well as providing active defense against misguided attacks by those outside the industry.

Sincerely,

John K. Lunde

President, Reverse Market Insight