

Lenders urge permitting sales of reverse-mortgaged homes

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Texas is the second largest market for reverse mortgages in the nation, and industry leaders plan to meet here this month for the national convention.

But while national reverse mortgage lenders focus on educating the public about their product, Texas lenders are targeting legislators to change the laws that don't allow the sale of a home with a reverse mortgage.

Texas approved reverse mortgage lending in 1999, but it remains the only state in the nation that prohibits selling a home with a reverse mortgage, also called a home equity conversion mortgage, said Scott Norman, the former executive director of the Texas Association of Reverse Mortgage Lenders, which he founded in 1999.

Since 60 percent of Americans are without an individual retirement account or a 401k plan, home equity has become the largest source of capital for many Americans, he said.

The government created the reverse

mortgage program in 1987 to help house-rich, cash-poor senior citizens borrow against their home equity to generate a lump sum or a stream of monthly income. The loan is repaid when the home is sold after the borrower moves or dies.

Reverse mortgages, which became available in Texas in 2001, are designed for homeowners 62 and older.

About 625 people are scheduled to attend the annual meeting of the National Reverse Mortgage Lenders Association, or NRMLA, in San Antonio Oct. 15-17. The main focus of the event is expected to be strategies designed to broaden consumer acceptance of reverse mortgages, NRMLA CEO Peter Bell said.

Such acceptance has surged nationally this year as financial planners increasingly use reverse mortgages as part of overall money management strategies, he said.

Yet some major banks are not on board with the idea.

Last year, Wells Fargo & Co. (NYSE: WFC) and Bank of America Corp. (NYSE: BAC) exited the reverse mortgage business.

San Francisco-based Wells Fargo — which represented the largest market share in Austin, about 20.3 percent — attributed its decision to “unpredictable home values.”

Wells Fargo, the nation's largest originator of home mortgages, began extending reverse mortgages in 1990. But the bank's exit signaled the up-ending of business models created over decades of generally rising asset values. Wells officials said the “reverse mortgage program was designed in a different economic time.”

In April, the NRMLA reported that senior home equity increased by \$30 billion during the fourth quarter 2011. Seniors have \$3.22 trillion in home equity available, according to the most recent NRM-LA/Risk Span Reverse Mortgage Market Index.

Texas is No. 2 in the nation for the volume of reverse mortgages. Nearly 50,000 senior homeowners have obtained them in Texas. Yet, the Texas Department of Savings and Mortgage Lending hasn't issued a single enforcement action against a licensed reverse mortgage loan originator

during the last six years, Norman said.

Some large banks have withdrawn from the reverse mortgage lending because the complexity of such deals is heightened during an economic downturn, said Joe Holt, chairman of the Austin region for JPMorgan Chase Bank NA.

“In an economy that's struggling, it's even more pronounced for the senior category, which depends on a fixed income for living,” he said.

State Sen. John Corona, R-Dallas, is among the advocates for constitutional changes to allow reverse mortgage purchases. Corona, chairman of the Senate Committee on Business and Commerce, couldn't be reached for comment.

Business and Commerce Committee Director Steven Polunsky said it's unclear whether Corona plans to introduce legislation during the upcoming session because the committee is dealing with other issues such as water and energy matters.

“I think he'd like to see a program that gives freedom to people to invest and handle their finances in the way they choose,” Polunsky said.

Austin housing values still rising, but pace slows in August

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Home prices continued to rise in Austin in July and August, according to recent data released by CoreLogic Inc.

Including distressed sales, which includes foreclosures and delinquent mortgages, home prices increased 5.9 percent

in July compared with July 2011. Excluding distressed sales, home prices in July were up 6.9 percent compared with July 2011. August saw slightly smaller year-over-year increases in sales.

Home appreciation, including distressed sales, was highest in Arizona, Idaho, Nevada, Utah and Hawaii. Excluding distress sales, home appreciation was highest in

Arizona, Utah, Montana, Idaho and North Dakota.

Home depreciation, including distressed sales, was greatest in Rhode Island, Illinois, New Jersey, Alabama and Connecticut. Excluding distressed sales, home depreciation was greatest in Rhode Island, New Jersey and Alabama. In this category, all other states either remained stationary

or recorded appreciation.

Although Arizona recorded the most appreciation in home values from 2011, it also is one of the top five markets for experiencing the greatest drop in prices from the peak of the market in the mid-2000s to current values. Other states with significant declines in value since the market peaked are Nevada, Florida, California and Michigan.

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