

CROSS SELLING IS AGAINST THE LAW???

- MICHAEL BANNER

NO WAY...THE MOST CAPITALISTIC NATION IN THE WORLD, AN ENTIRE SOCIETY BASED ON FREE ENTERPRISE, WHY WOULD THE GOVERNMENT MAKE THE CROSS SELLING OF FINANCIAL PRODUCTS THAT ARE SO BADLY NEEDED BY THE ELDERLY, UTILIZING THE BEST SOURCE OF FUNDS EVER CREATED FOR THE ELDERLY, (THE REVERSE MORTGAGE) AGAINST THE LAW?

THEY WOULDN'T DO THAT...

NEXT YOU WILL TRY AND TELL ME THE GOVERNMENT IS GOING TO GIVE 750 BILLION DOLLARS TO THE VERY INDUSTRY THAT CRIPPLED THE FINANCIAL MARKETS AND SENT US SPIRALING INTO A SEEMING NEVER ENDING RECESSION...

HEY, WAIT A MINUTE. THEY DID DO THAT ONE...



So, the cross selling of any insurance or financial products, using the proceeds of a reverse mortgage is now against the law....

Let's put this in perspective. I think we can all agree that the passing of the Housing and Economic Recovery Act (HERA) was a very positive force in the reverse mortgage industry. Unifying a National FHA loan limit and increasing it to meet Fannie & Freddie is something I have been hearing about for more than 10 years, and they did it! The approval of the HECM Purchase, they did it! Approving the HECM for co-ops, they did it! Decreasing the 2 point origination fee to 1.5, they did it! Decreasing the cost of MIP, whoops, that one they didn't do.... Well, you can't have everything!

Still, HERA was and continues to be one giant step forward towards bringing back our ailing housing market and one giant leap for the reverse mortgage industry.

But at the last second, led by the very aggressive Sen. Claire McCaskill (D-Mo), the "No Cross-Selling" language was inserted into the Bill, and it was done.

Talk about throwing the baby out with the bath water! Now, before I expand further on how this new law will most certainly hurt more of the very group of consumers (seniors) it was designed to protect then it will help, let's deal with a very important and very negative aspect of the emerging reverse mortgage industry.

None of us like to say this, we very rarely see articles written about this subject but the hard truth is there is a tremendous amount of potential for abuse in the reverse mortgage industry. The senior segment of this great country has been a target for this abuse long before the reverse mortgage industry emerged. From the financial planning industry, the investment community, to the home improvement industry, the list is virtually endless. The seniors have the liquidity, let's sell them something!

And although I strongly disagree with Sen. McCaskill's solution, I think we all must recognize she is on the right track. As a member of the Senate Special Committee on Aging the Senator has devoted much of her professional career to the protection of seniors and that I greatly respect.

But come on Senator... the cliché that comes to mind is "the operation was a total success, but the patient died"

The good Senator has been a very strong critic of the reverse mortgage since its popularity began to grow. At a December 2007 hearing on reverse mortgages she was quoted as saying "I want to make sure they (reverse mortgages) don't become the scandal of the next decade." She continued with "It seems

obvious that one of the reasons for the unprecedented growth in the market is due to the fact that there is a lot of money to be made."

I'm sorry Senator, not all of us have guaranteed 6 figure salaries and the greatest lifetime medical benefits for ourselves and our families for free! That privilege seems to be reserved for the members of the House & Senate...

I'm sorry, do I sound bitter or angry? I am! The ability of the far left to demonize "earning a living" while furnishing a service or product is just mind boggling. It is just one more startling example of how our elected officials have lost touch with the very people that elected them. But I digress...

Again let's remember, the good Senator does have the right intentions. Let's also keep in mind that NRMLA's Code of Ethics also forbids any requirement for the borrower to purchase another financial product to obtain a reverse mortgage. Now that's the right language! If someone in any segment of the financial industry is coercing a senior into securing a reverse mortgage in order to facilitate an additional sale of a product then please make that against the law! However, NRMLA does allow room for ethical and moral cross selling of financial products by further stating if lenders meet certain disclosure and legal conditions, including that the other financial products and services that it originates or sells "provide a bona fide advantage to the customer."

Personally, I am one of the few individuals that is approved by the National Board of Certified Financial Planners to teach a 2 hour continued education class on reverse mortgages to Certified Financial Planners. (CFP's) I do so on a constant basis in the state of Florida where my company does business.

In March of 2008, months before HERA, the Financial Industry Regulatory Authority (FINRA) sent me the following language to add to my class. They were very clear that I must not only include it in my presentation but I must read it aloud verbatim at every class;

FINRA ALERT:

IF YOU ARE APPROACHED BY A FINANCIAL PROFESSIONAL TO DO A REVERSE MORTGAGE IN ORDER TO FUND A PARTICULAR INVESTMENT, KEEP IN MIND THAT ALL INVESTMENTS CARRY RISKS AND COSTS – AND THE HIGHER THE PROMISED RETURN, THE HIGHER THE RISK. IT'S BEST TO STEER CLEAR OF INVESTMENTS THAT ARE RISKY OR UNDER DIVERSIFIED – AS WELL AS THOSE THAT MAKE IT EXPENSIVE, IF NOT IMPOSSIBLE, FOR YOU TO ACCESS YOUR MONEY IF UNEXPECTED EXPENSES ARISE."

Wow, it appears that the financial industry has recognized the importance of protecting the senior segment of our society against risky investments funded by the proceeds of a reverse mortgage.

I have performed my CE Class for more than a thousand senior advisors in Florida to date. And whether they were a CFP or not that slide was read aloud at every presentation.

I think the one best example that has led to the great cross-selling controversy is the lawsuit filed in California in 2006. This suit named Financial Freedom, a reverse mortgage industry giant as a defendant and made national headlines and appeared on CSPAN.

According to the plaintiffs' attorney an insurance agent convinced a woman to secure a reverse mortgage and then sold her a deferred annuity that would not mature for 20 years. The client was 80 years old! That insurance agent should not only be ashamed of themselves but they should be prosecuted criminally and civilly to the full extent of the law. What a disgrace!

It should be noted that the insurance company cancelled the annuity and refunded the client her money. This was the action of a dishonest insurance agent, not an example of the insurance industry or of what a reverse mortgage is used for every day in this country!

It should also be noted that the Superior Court Judge on the case granted Financial Freedom's motion to dismiss the case. At this point let me disclose that I am not an insurance agent, I have never had an insurance license and have no plans to get one. I own no stock or interest in any entities that sell insurance. So let's get right to the bottom line here;

No matter what age you are, insurance is at the core of a solid financial plan. Almost all trusted senior advisors, in every segment of the financial industry, hold an insurance license. When you are young and starting a family your trusted advisor will make sure you have major medical coverage to protect your entire family. They will urge you to have the proper amount of life insurance to protect your family in case of yours or your spouse's untimely death. Depending on your occupation, you will be urged to have disability insurance so you can support your family during an unplanned and extended period of time that you cannot work, due to illness or an accident (This happens to be the #1 cause of bankruptcy). When the kids become old enough to drive you

might be urged to secure a larger liability policy or umbrella policy to offer additional coverage your auto policy doesn't cover in case your teenager has an accident with horrific results...

But at no time does your trusted advisor become more important to you than when you turn 62 years of age, when retirement is either upon you or in your very near future. When products like Medicare supplement policies, Medicare advantage policies and long term care insurance are critical decisions that must be made at this point in your lives. When the repositioning of your assets, as you go from the "income earning" portion of your life to the "non-income" earning portion will determine the quality of life you have in your retirement years.

To take the most valuable tool ever created (the reverse mortgage) away from trusted senior advisors would be devastating.

You know, we can't pick up a newspaper or turn on a news program without hearing of the many crises' that plague our nation today. We of course have the mid east crisis, the energy crisis, the Wall Street crisis which now has turned into the main street crisis. All of the solutions to these crises' seem so difficult and so far away...that's because they are.

There is one very real crisis that is very rarely mentioned. I guess it just doesn't have the "sizzle" all the other crises' seem to have...it's the crisis that most of our seniors face every day. The combination of inflation, recession, the most volatile investment environment in the history of our country and the simple fact that we are just all living longer has greatly diminished the quality of lives for our seniors. This is a very real crisis and it affects many more people than we all care to admit. These are our parents, our grandparents our favorite aunts and uncles.

The reverse mortgage industry can help so many of these people have a higher quality of life and I personally would like to see every trusted senior advisor, in all segments of the financial industry, have the reverse mortgage as the strongest tool in their tool box, the sharpest arrow in their quiver!

Control it, yes! Regulate it, yes! But outlaw it, no!!!!

Have an incredible and productive month and let's help as many seniors increase the quality of their lives as we possibly can.

“ TO TAKE THE MOST VALUABLE TOOL EVER CREATED
(THE REVERSE MORTGAGE) AWAY FROM TRUSTED
SENIOR ADVISORS WOULD BE DEVASTATING ”