



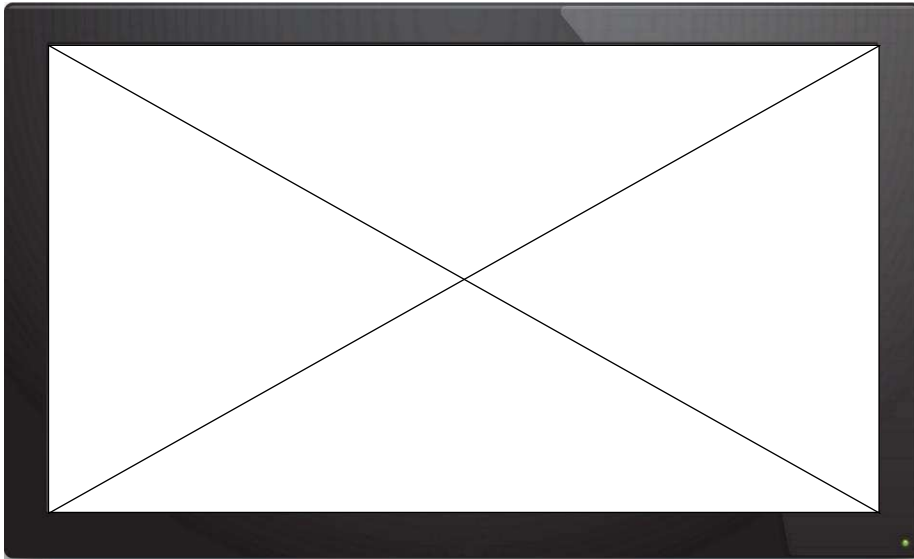
HomEquity
Bank

Mortgage Broker Certification Course



HomEquity
Bank

Ask Bob Video





Introduction



Agenda





Founded in 1986 and became a Schedule 1 bank in 2009



Only provider of Reverse Mortgages in Canada



Originations grew 23% in 2014

Business has been conducted in the past by **referral only**

Market place is seeing significant **growth potential**

Mortgage Brokers are at the **heart of many mortgage decisions**

Opportunity for Mortgage Brokers to provide expertise throughout their clients entire mortgaging life cycle - first to last mortgages

Opportunity to generate **increased commission**

Numerous **value propositions** for key referral sources

Mortgage Brokers have to be **certified to deal direct**



Relevant Statistics

- There are 6.8 million seniors (60+)
- 19% growth from 2011 to 2017
- Approximately 1,000 people turn 60 every day
- 50% chance of living to 92
- 51% carrying debt into retirement
- 50% believe they will run out of money within 10 years
- 9.1 million Canadians are children of baby boomers who can also be your prospective clients⁴

Sources:

1. HRSOC calculations based on Statistics Canada, 2011

2. Statistics Canada. Table 051-0001 - Estimates of population, by age group and sex for July 1, 2010

3. Highlights of "Canada's aging Boomers place new strain on pensions, health care: Census" Released by Postmedia News May 29th, 2012

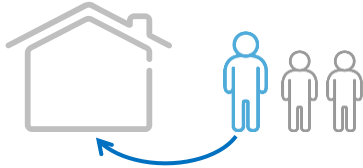
4. Statistics Canada. "Generations in Canada", 2011.



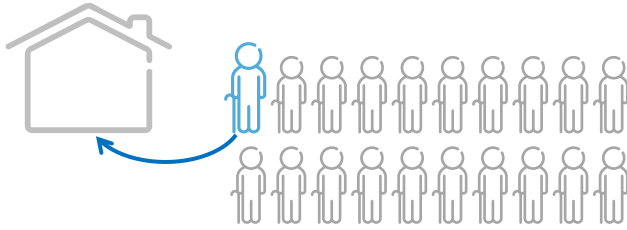
About 91% said they want to stay in their home or in their neighbourhood and live independently as long as possible.

Remaining in familiar surroundings — in a home of their own, in their current neighbourhood and close to family and friends is definitely how Canadian Boomers wish to live when future health changes occur.

The stats back that up



Roughly **one out of three** people in their 20s move in any given year



As people age into their 50s and beyond, the ratio **drops to one in 20**

“The propensity to move drops dramatically as people get older.”

According to Sandra Rosenbloom of the Urban Institute.

Market segmentation categories

“I need to alleviate the stress of debt”

30% of customer base

“I need to pay for an unplanned expense”

19% of customer base

“I want to improve my lifestyle”

30% of customer base

“I need to maintain my standard of living”

21% of customer base



What do these clients look like? Common Client Similarities



- Retiring with debt and looking to consolidate and avoid payments
- Considering downsizing instead of right sizing
- Purchasing a primary residence
- Want to buy a secondary home
- Help children or grandchildren purchase a home



- Increase monthly cash flow and minimize long term tax liability
- Protect their estate by funding insurance needs
- Have not saved enough to maintain lifestyle for the next 30 years
- Want to travel more or need monthly cash flow for bills and expenses
- Portfolio has not performed as well as planned
- No opportunity to pay for life events like home care or repairs



Understanding the Products

Reverse Mortgage Unique Features and Benefits

- 1 Regular payments are not required until they no longer live in the home
- 2 Your clients will never be forced to move or sell
- 3 Ability to unlock up to 55% of their home value into cash
- 4 Clients can confidently expect to still have equity in their home if they ever decide to sell
- 5 Proceeds are tax-free
- 6 Penalties waived at death

For these reasons and more, a reverse mortgage with HomEquity Bank is a sound financial solution for many people

CHIP Reverse Mortgage and Income Advantage



Ideal for clients who:

- Need to eliminate debt
- Have minimal fixed income
- Have little or no investments
- Are in the red or blue segment

"I need to alleviate the stress of debt"

"I need to pay for an unplanned expense"



Ideal for clients who:

- Have a monthly cash flow need
- May have some debt
- Have options (ex. line of credit)
- Are drawing down investments faster than desired
- In the green or purple segment

"I want to improve my lifestyle"

"I need to maintain my standard of living"

Key Differences with CHIP and IA



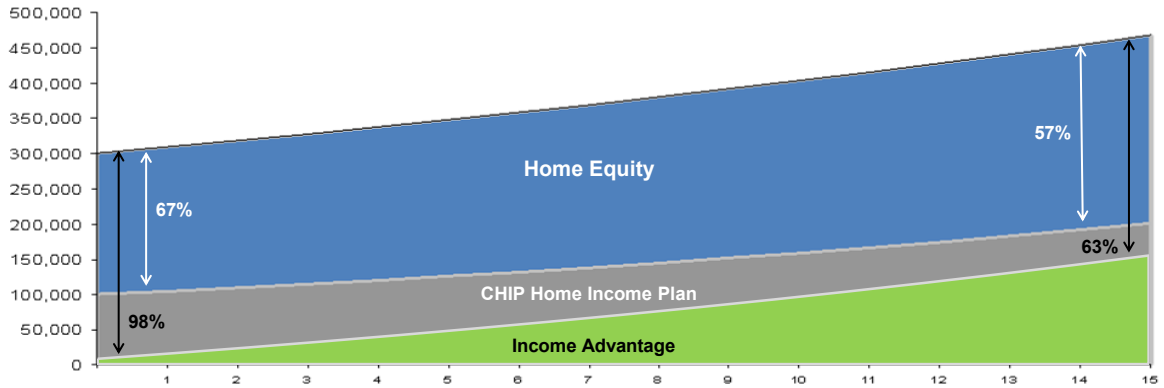
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|----------------------------|--|---|------------------------|
| Maximum LTV | 55% | 40% | |
| Funding options | a) Lump sum or b) Lump sum with subsequent advances | a) Lump sum b) Planned advances c) Subsequent advances d) <i>Combination of the above options</i> Client can take maximum of 75% (lump sum + advances) in first 12 months | |
| Interest Rate Terms | a) Variable b) 6 month c) 1 year d) 3 year e) 5 year | Lump Sum a) Variable b) 1 year c) 3 year d) 5 year | Planned a) Variable |
| Closing fees | Depends on term | \$1,495 upon full repayment in first 10 years | |

Interest rates

- Available interest rate terms
 - Variable, 6 month, 1, 3 and 5 year interest rate periods
 - Depends on product (CHIP or IA)
 - All interest rate periods are considered closed for the first 5 years
 - Client can change to a different term at reset (no pre-payment charges within 30 days of reset after 5 years)
- Rate hold
- Optional interest payments
- Optional interest and principal payments



Income plan solutions



The illustration uses conservative values:

- Home appreciation of 3.00%. Average home appreciation is 6.7% annually. (Source: CREA, Canadian Real Estate Association 15-year national house appreciation average, February 2014)
- CHIP interest rate of 5.69%. The Annual Percentage Rate (APR) is 5.79%, which is the total cost of borrowing expressed as a percentage for one year. The APR includes interest and closing costs.
- Income Advantage Planned Account with \$500/month at the interest rate of 4.25. The Annual Percentage Rate (APR) for the Planned Advance Account is 4.25% which is the total cost of borrowing expressed as a percentage for one year. The APR includes interest.

Client Profile



Both spouses must be 55 or older

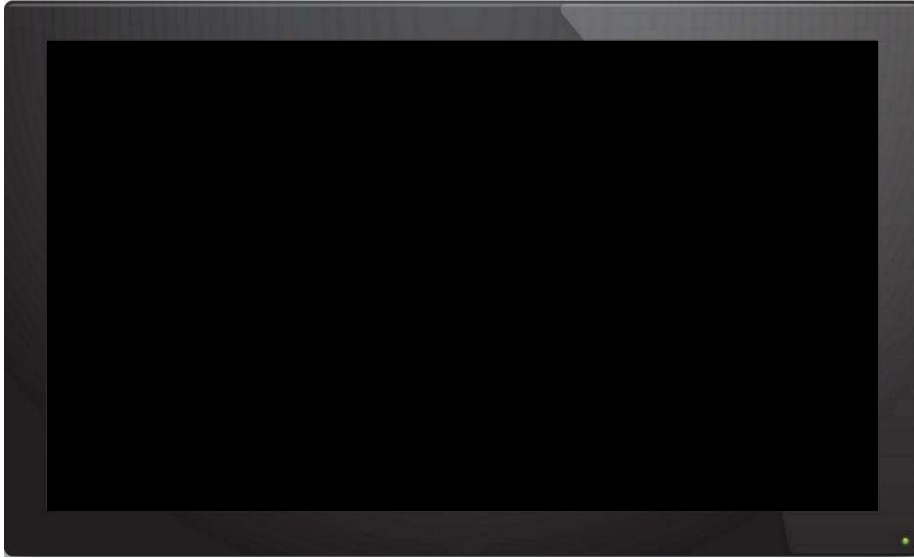
Own their home

Home must be primary residence

Valid and adequate fire insurance

What do our clients say?

Let's see what our clients say in their own words



Making the deal work - second mortgages



Second Mortgages
up to max 65% for total LTV
Including fees

You can choose from four convenient options, described below

1

Upfront

Initial lump sum with all funds taken at once



2

At Clients Request

Via an initial lump sum (minimum \$25,000), with Subsequent Advances (minimum \$10,000) by request as needed.



3

Planned Advances

Receive only Planned Advances (minimum \$500 per advance, no Initial Lump Sum)

Planned Advances are available as monthly, quarterly or semi-annually



4

Combination

A combination of an initial lump sum, subsequent advances and planned advances is possible



Appraisal cost - paid by client

Closing costs

ILA cost

(including any other legal work required by client's lawyer e.g.. Title issues)





The Underwriting Guidelines



Underwriting differences you need to know

Not your traditional GDS/TDS

Client must demonstrate the ability to pay property taxes, fire insurance and condo fees (if applicable)

Example: \$12K annual income supports \$6k taxes, fire insurance and condo fees

Not your traditional credit bureau

Beacon score determines non confirmed income or confirmed income (refer to handout)

Credit bureau must be pulled less than 60 days when submitting to HomEquity Bank

Not your traditional income qualification

Requirement of supporting documents is required only to prove ability to pay taxes, fire insurance and condo fees

Power of Attorney (POA) document must be acceptable to HomEquity Bank

1. POA must have the ability to deal with real property
2. POA must be witnessed by a non-relative of the donor
3. People defined must be signatories (cannot be assigned)
4. May require letter of incapacity signed by doctor before POA is activated
5. All parties must produce acceptable ID at signing

Independent Legal Advice (ILA)

1. ILA is required before HomEquity Bank will advance proceeds
2. Client can use their own lawyer
3. Lawyer must be licensed to deal with real estate (Notaries acceptable in Quebec only)
4. HomEquity Bank has an unrestricted approved list of lawyers available
5. All lawyer information entered in its entirety in D+H (address, phone number, etc.)



- Applications can only be taken with individuals who have the authority to make financial transactions on a property, i.e. the client(s) or a legal POA
- Title can only be held in client(s) name(s)
- If a couple with both people on title, then title is to be held in joint tenancy basis (both parties own 100%)
- No tenants in common

Out of the Box Opportunities



Bankruptcy

Blanket mortgage

Home purchase

Property Taxes and Insurance

- Client's property taxes have to be paid to date
- Steps taken if property taxes are in arrears
 - Pay arrears and bring taxes up-to-date from Reverse Mortgage proceeds
 - Hold back a portion of future tax owed from Reverse Mortgage Proceeds
 - File could be declined
- Confirmation that HomEquity Bank is listed as the "First Loss Payee" on the fire insurance policy

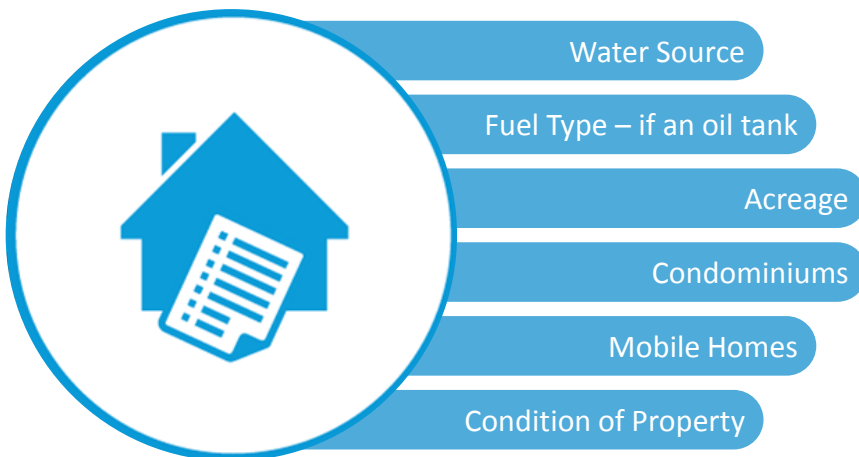


Types of Approved Properties

- Must be appraised at over \$100,000
- Single family homes – link – semi-strata
- Duplex-triplex-quads-five and 6 plex owner occupied
- Townhouse – row houses
- Condo – stacked – apartment
- Modular homes – must be anchored to base
- Mobile manufactured homes – must be anchored to base
- Homes with acreage up to 160 acres – use 10 acres and home – no more than 4 animals or may result in lesser LTV and not operating as a farming business
- Bed & Breakfast on exception if owner occupied
- Minimum of 700 square feet



Appraisals



CHIP Reverse Mortgage

- **100bps** based on funded amount no matter the term selected
- Any subsequent amount is also paid at **100bps**

Income Advantage

- **\$800** on funding
- After client has drawn down **\$100,000** broker will receive **100bps** on any subsequent amount

Commission payments

- Commission is paid weekly on initial amounts
- Any deal funded before Friday will be paid the following week by direct deposit

Subsequent amounts

- Once in a calendar year broker will be paid for any additional fundings
- Payment is in February of the following year



HomEquity Bank does not accept additional broker fees (2nd mortgage fees are an exception but are capped at 2% of the 2nd mortgage amount)



Mr. and Mrs. Smith are 75 and 79 years old and here is their story



Mr. & Mrs. Cook are both 68 here is their story



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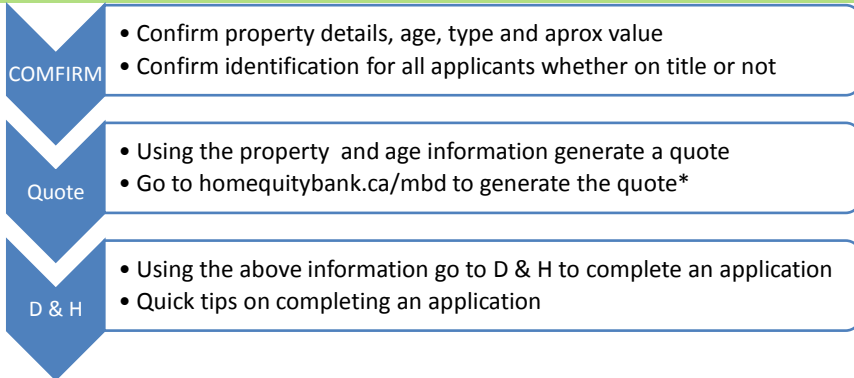
Review Questions



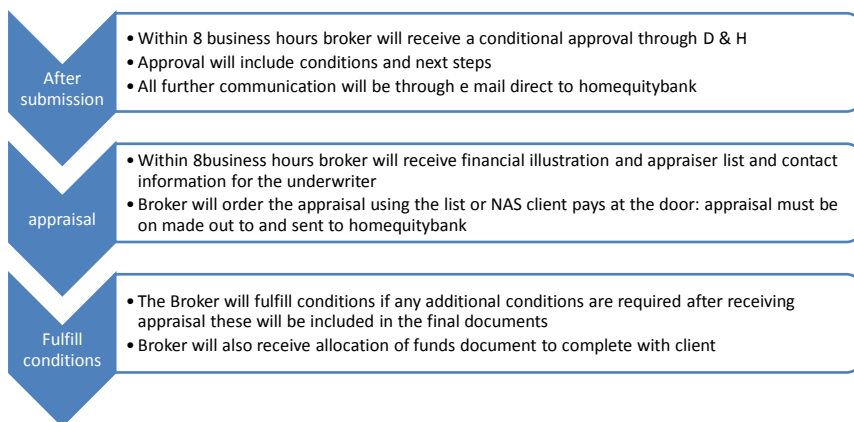
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Process and Documentation

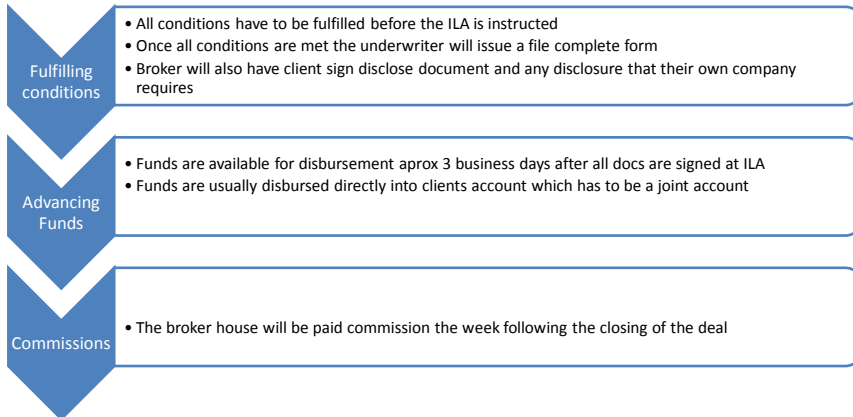
STEPS IN SUBMITTING A DEAL



Next Steps



Completing the deal

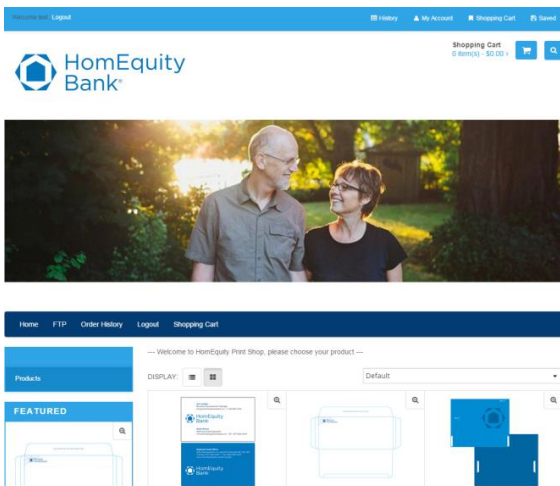
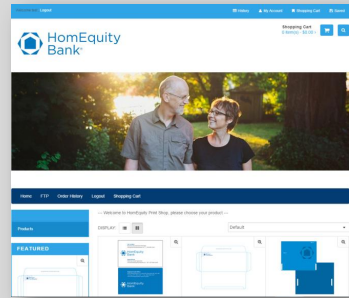


Events that should be reported to your **Business Development Manager** include but are not limited to:

- Client information privacy breach or client information security concerns or issues
- Known or suspected fraud including misrepresenting
- Known or suspected money laundering and terrorist financing
- Client complaints regarding HomEquity Bank's products or procedures
- Client complaints regarding consumer provisions including the disclosure
- Known or suspected senior abuse (e.g. coercion)



- Client facing collateral
- Objection handling (ex. Myths sheet)
- Broker facing collateral
- Important updates (ex. rate changes)
- Website content



Features

- ▶ Access to the latest marketing tools
- ▶ Some customizable pieces
- ▶ Ability to print or download files
- ▶ Access to HomEquity Bank branded promo items
- ▶ Easy to order
- ▶ View previous orders
- ▶ Ability to send marketing materials to various addresses
- ▶ Credit card is required to order

Access

Once you complete the course, you will receive an email with your login and password

URL = homeequitybank.ca/mbd

Calculator

Determine how much tax-free money your clients could receive

Marketing

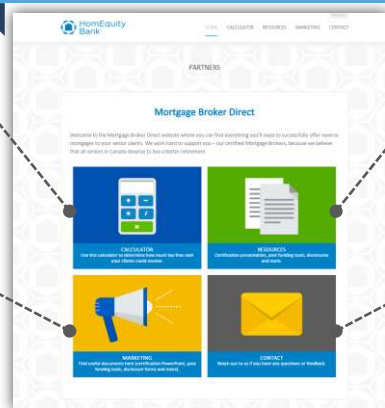
Useful marketing tools to promote yourself and reverse mortgages

Resources

Find useful documents and files to reference

Contact

Contact information if you have a question or feedback



Online calculator

www.homeequitybank.ca/mbd/calculator

Important: The amount the client receives is confirmed after the appraisal.

Use the online calculator to determine what the client may qualify for:

1. Client is an 86 year old female with a single family home and house value of **\$450,000**, postal code LOR 2A0 with no debt and looking for a 5 year term (CHIP).
2. Clients are male aged 73 and female aged 66 living in a semi-detached home with a house value of **\$600,000**, postal code M4S 3C4 looking for a 5 year term with secured debt of \$35,000 (CHIP).
3. Clients are male aged 68 and female aged 70 living in a townhouse with a value of **\$720,000**, postal code L9G 2K4 looking for a variable term and secured debt of \$20,000 and unsecured debt of \$15,000 (Income Advantage).



Mortgage Broker Center

- Useful to answer questions and updates on the deal
- Dedicated Underwriting team for Mortgage Broker Direct
- Experts on the process of completing the deal

Business Development Managers

- The best option to get product information
- Useful to get advice on complex deals

- 1 Everyone with rights to the property must be included in the calculation (online calculator)
- 2 HomEquity Bank will accept blanket/inter-alia mortgages on up to 3 properties. At least one of the three must be owner occupied.
- 3 HomEquity Bank will not accept life leases
- 4 HomEquity Bank will lend on mobile homes as long as they are affixed to land
- 5 HomEquity Bank's minimum property value is \$100,000
- 6 HomEquity Bank will lend on properties up to 160 acres with 10 acres being used in appraisal
- 7 HomEquity Bank will lend on a leased out farm with no more than 4 animals or machinery (crops only)
- 8 Bankruptcies accepted. Proceeds of advance will be forwarded to Trustee for discharge
- 9 POA accepted
- 10 ILA required
- 11 Credit bureau + income verification required (refer to handout)
- 12 Homeowners must be 55 or over
- 13 Condition of property will be factored into LTV
- 14 All appraisals go through NAS
- 15 Title issues must be cleared before funding

What's coming next

Within 2
Weeks



Your BDM will set up a meeting with you to review tools and resources and identify initial leads. You will also be provided with your Certificate and Welcome package.

30 – 60 Days



Your BDM will set up a further meeting to review progress and clarify any questions. You will be provided with a quick refresher and your BDM will work with you to identify additional lead sources and build targeted marketing.

90 Days



Your BDM will schedule follow up meetings and deal reviews. You will be provided with additional marketing support and CRM review.

Your BDM and the Mortgage Centre team will provide full support on all deals.

Do you have any questions?





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Final Test



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