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# EAST BAY BUSINESS TIMES

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## Aging boomers spur reverse mortgage biz

East Bay Business Times - by [Mavis Scanlon](#)

**Golden Gateway Financial Inc.**, a venture-capital-backed Oakland startup that bills itself as a reverse mortgage marketplace, officially launches next week.

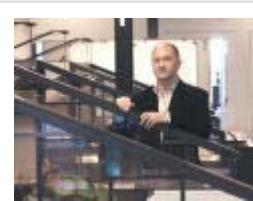
The Web site is a one-stop shop where seniors can learn about reverse mortgages, compare loans from different lenders, and even apply for a reverse mortgage. The firm is a licensed mortgage broker in several states. Eric Bachman, a banking and financial services industry veteran who is the founder and CEO of Golden Gateway, said he honed in on the financial issues facing seniors and the baby boom generation after studying reams of government and other data.

The site was designed with seniors in mind, Bachman said, with elements that allow users to quickly increase font size, for example, and with complex material presented clearly and simply.

"A huge percent of (aging baby boomers) did not save," Bachman said, referring to survey data from the Employee Benefit Research Group Institute and **Matthew Greenwald & Associates Inc.**, showing that 32 percent of American workers age 55-plus have saved less than \$25,000. "So they enter their senior years with a real challenge."

Bachman is starting Golden Gateway as the reverse mortgage industry is poised to take off. Almost 20 years after the first Home Equity Conversion Mortgage (HECM) was issued, interest in the loans has picked up dramatically. The number of federally insured reverse mortgages jumped to 107,000 in 2007, up from just 6,600 in 2000, according to data from **AARP**. That number is bound to rise as more baby boomers - almost a third of which lack substantial retirement savings - hit retirement age. A bevy of recent changes in the reverse mortgage market and new reverse mortgage products are aimed squarely at the 80 million or so Americans set to retire over the next 20 years.

"There have been more changes in the last 12 months than really in the last 19 years" in the reverse mortgage industry, said Jeff Taylor, vice president and national program manager of **Wells Fargo & Co.**'s senior products group. Wells is the largest retail reverse mortgage lender in the country.



Stephanie Secret | East Bay Business Times

Eric Bachman says a huge percentage of boomers have not saved enough.

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A reverse mortgage allows older homeowners to convert a portion of their home equity into cash through a loan secured by the home. The loan does not have to be repaid until the homeowner dies, sells the home or moves out permanently. The minimum age for a reverse mortgage is 62, and the amount borrowed depends on the borrower's age and the value of the home.

Golden Gateway, which soft-launched its site in October, is seeing 1,000 visitors a day, Bachman said. The in-depth calculators on the site allow seniors to compare not only loan options and interest rates from many lenders, but what that loan will look like 10 or 20 years down the road and how much equity the homeowner will have in the home at that time.

Bachman, for one, is betting that those seniors who visit his site, use its calculators and talk to its representatives will stick with the company as they go through the reverse mortgage application process. "We're hopeful we will have provided enough value they will want to go through us," he said.

Federally insured HECM loans, which are capped at lending limits set at the county level, account for roughly 85 percent to 90 percent of all reverse mortgages. The rest are so-called jumbo reverse mortgages, which allow a borrower to access more cash - **Bank of America** and Wells Fargo have proprietary jumbo reverse mortgage products for homes of up to \$10 million in value - and come with lower upfront costs and higher interest rates. In California, almost 35 percent of reverse mortgages are jumbos due to the high value of housing.

One big change in the market is the influx of proprietary products designed for homeowners with expensive homes. In addition, interest rates for reverse mortgages can now be pegged to different benchmark indexes, including the London Interbank Offered Rate, or LIBOR. Some lenders have also introduced fixed-rate reverse mortgages. Another driver is federal housing finance agency Ginnie Mae's October announcement that it will begin securitizing reverse mortgages as mortgage-backed securities to sell to Wall Street.

"Most people use the word tidal wave as far as what's happening," said Celia Mason, a reverse mortgage consultant at **BWC Mortgage Services**.

A wide array of reverse mortgage-like products are also being introduced. One, from San Diego firm **EquityKey**, ties a loan to the future expected appreciation of a home. Another, from Lender Lead Solutions, owned by Belgium's **KBC Bank**, offers what it calls a reverse mortgage to 60-year-olds.

"In some cases (a reverse mortgage) is the right solution, but I think it needs to be viewed as the solution of last resort," said Jim Bell, president of **Bell Financial Advisors Inc.** of Oakland. "There should be lots of exploration" of options, he added, including talking with family members to ascertain whether a parent's needs could be taken care of by the family.

Federally insured HECM loans mandate outside counseling before making the loan.

Kate Williams, vice president of financial literacy at **Money Management International**, a credit counseling service, said her program takes a senior through an exhaustive budgeting

process to show just how much it is going to cost to live in retirement. This counseling service should take place earlier in the process, she added.

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**Golden Gateway Financial Inc.**

**Business:** Reverse mortgage marketplace and broker

**Headquarters:** Oakland

**Founded:** 2006

**Founder and CEO:** Eric Bachman

**Employees:** 16

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