WHY YOU WANT TO WORK WITH A COMPANY THAT HAS BEEN PROVIDING REVERSE MORTGAGES FOR SENIORS AS THEIR PRIMARY BUSINESS AND NOT A COMPANY WHO IS NOW OUT OF THE SUB-PRIME BUSINESS AND THINKS THIS IS THE LATEST TREND.

Ex-sub-prime loan officers eye booming senior market

By Walden Siew

NEW YORK, May 22 (Reuters) - Jobless sub-prime mortgage specialists are looking for employment in the booming market for loans to senior citizens, mortgage market executives said on Tuesday.

Between 12,000 to 15,000 displaced mortgage lenders may begin to seek employment in the growing market for reverse mortgages, an increasingly popular home equity loan for homeowners who are 62 years old or older, Goldman, Sachs & Co. (GS.N: Quote, Profile, Research) and Wells Fargo Home Mortgage executives said at a mortgage conference.

"A percentage of them will migrate into the reverse mortgage business, but it's very specialized," Jeffrey Taylor, Wells Fargo's vice president of senior products, said during a Mortgage Bankers Association conference in New York.

Some bankers worry the market's rapid growth may make reverse mortgages vulnerable to fraud and increased litigation, which has plagued sub-prime loans -- mortgages to those with weak credit histories.

"As you look at what's going on in the sub-prime market, are those the types of folks who are really appropriate for pursuing reverse mortgages?" asked Rolf Edwards, a vice president at Goldman, Sachs & Co. in New York.

Trouble in the U.S. mortgage market is a key concern as the housing industry slowed and default rates in the riskiest sub-prime loans climbed in recent months. At least 20 lenders of sub-prime mortgages have already gone out of business.

Meanwhile, the number of federally insured reverse mortgages has skyrocketed, climbing to 76,351 in 2006, from 7,781 in 2001. So-called HECM loans, or Home Equity Conversion Mortgages, make up 90 percent of such securities in the U.S., according to the National Reverse Mortgage Lenders Association.

In another sign of growth, Bank of America Corp. (BAC.N) in April said it agreed to buy the reverse mortgage business of Seattle Mortgage Co., making it the third-largest U.S. provider. IndyMac Bancorp Inc. (IMB.N) of Pasadena, California is the industry leader.

At Wells Fargo, about 700 loan officers specialize in reverse mortgages. The other 10,000 loan officers cannot make the loans due to their complexity, Taylor said.

The loans allow senior citizens to borrow against the equity in their homes and convert it into cash. Loan advances are not taxable, and loans don't have to be repaid until the homeowner moves, sells or dies, which the industry calls a "maturity event."

Reverse mortgages are popular because older homeowners can tap the home equity loan to pay medical bills or boost retirement income while staying in their homes. The loan is typically paid back with profits from the home sale, either when the homeowner dies or moves.

More consumer safeguards and better education and counseling will be needed as the market matures, according to Vanessa Farnsworth, a senior manager at Bank of New York Mortgage Co.

"We try to educate the family as well as their heirs," Farnsworth said. "It's in no one's best interest when 10 years down the road the family says no one knew what Ma and Pa were doing."