REVERSE MORTGAGE

CONSIDERING RETIREMENT? THE 3 L'S

- **Longevity**

  Will I have enough money to meet my basic living needs?
- **Lifestyle**

  Will I have enough money to maintain my standard of living?
- **Liquidity**

  Will I have access to tax advantaged money when I need it?

REVERSE MORTGAGES

- How they work
- Uses and benefits

REVERSE MORTGAGE BENEFITS

- Low risk (government insured, non-recourse, etc.)
- Funds are non-taxed (Consult a tax specialist)
- You can use the funds however you choose
- No prepayment penalties
- Line of credit is guaranteed and grows over time
- When the loan becomes due, the homeowner does not owe more than the home’s value. Any remaining equity beyond the loan balance belongs to the estate. Heirs may retain the home by paying the lesser of the loan balance or 95% of the appraised value of the home.

MOST COMMON USES

- Eliminate a monthly mortgage payment
- Provide a line of credit for future financial needs
- Purchase a home without spending all of your cash

Borrower must occupy home as primary residence and remain current on property taxes, homeowner’s insurance, the costs of home maintenance, and any HOA fees.

OTHER COMMON USES

- Consolidate debt or pay off other debt
- Supplement monthly income
- Retirement planning tool
- Remodeling, home repair or maintenance
- Healthcare costs and prescriptions
- Long-term and in-home care
- Create a cash reserve for emergencies
- Funds for travel and recreation
- Purchase a home (downsize, move closer to family)

WHAT'S A REVERSE MORTGAGE?

A **Home Equity Conversion Mortgage (HECM),** or **"Reverse Mortgage,"** is a unique loan that enables senior homeowners (62+) to access the equity in their homes without having to sell the home give up title or make monthly mortgage payments.*

**Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.*

HOW IT WORKS?

Eligibility:

- Age (62+), primary residence, financial assessment (willingness and capacity)

Borrower responsibilities:

- Live in the home as a primary residence, pay property taxes, HOI and HOA (if applicable), and maintain the property

Benefit determined by:

- Age of youngest borrower on title, appraised value of the home, current expected interest rates, and the product chosen

Receiving the benefits:

- Any combination of lump sum cash, monthly payments, tenure payments, or line of credit

CONSUMER SAFEGUARDS

Borrowers are protected by a wide range of safeguards, making the HECM the safest, most regulated HUD mortgage available. These include:

- HECMs are non-recourse
- The homeowner retains title to the home as long as the loan terms are satisfied
- The homeowner/estate is entitled to remaining equity
- Third-party counseling is mandatory prior to application
- Equity line cannot be cancelled, frozen or reduced
- Line of credit grows regardless of home value

MYTHS VS FACTS

REVERSE MORTGAGE

Myth #1:
"The lender is on title or owns the home."

Fact:
The lender is not on title. The borrower(s) remain on title and continue to own their home. They have the power to sell or refinance at any time. The borrower(s) must continue to satisfy loan terms.

REVERSE MORTGAGE

Myth #2:
"The funds received from a reverse mortgage are taxed."

Fact:
A reverse mortgage is a 100% non-taxable event.*

**Consult a tax specialist.*

REVERSE MORTGAGE

Myth #3:
“Reverse mortgages are risky and the funds are not guaranteed if something happens to the lender.”

Fact:
Reverse mortgages have changed a great deal since 1960. The HECM – in place since 1988 – is now the safest, most regulated HUD mortgage available. They are FHA insured. A HECM is not a proprietary lender product.

REVERSE MORTGAGE

Myth #4:
"The borrower can end up owing more than the home is worth."

Fact:
This is a non-recourse loan, i.e., the loan is not secured by any assets other than the home. If the borrower was to owe more than the home is worth when the loan becomes due, an FHA-managed insurance fund will cover the shortfall to the lender.

REVERSE MORTGAGE

Myth #5:
"When the reverse mortgage becomes due, either the lender takes/sells the home or the heirs lose their inheritance."

Fact:
Heirs may still receive an inheritance if, after home is sold and the balance of the mortgage is paid off, all remaining equity will belong to the heirs. No assets other than the home are used to secure the loan (it is a non-recourse loan).

REVERSE MORTGAGE

Myth #6:
"If a borrower outlives their life expectancy, the lender will kick them out of their home."

Fact:
A borrower cannot outlive the reverse mortgage. The borrower can not be forced out of their home as long as they pay their property taxes, homeowners insurance, maintain the property, and it is their primary residence.

REVERSE MORTGAGE

Myth #7:
"You can never get out of a reverse mortgage."

Fact:
A reverse mortgage has no minimum term and no pre-payment penalties are allowed on reverse mortgages.

REVERSE MORTGAGE

Myth #8:
"A reverse mortgage can impact my social security and Medicare benefits."

Fact:
A reverse mortgage has no effect on your social security or Medicare benefits.

Consult a program specialist. A reverse mortgage may affect benefits or eligibility for some government programs such as Supplemental Security Income and Medicaid.

REVERSE MORTGAGE FOR HOME PURCHASE

Since 2009, Reverse Mortgages can be utilized to purchase a primary home. Assisting borrowers in downsizing, moving closer to family, or moving to a more desirable community, etc.

Compared to cash/traditional financing, borrowers can:

- Significantly increase their purchasing power
- Significantly reduce out-of-pocket expenses
- Increasing cash flow
- Keeping liquid assets available for other uses
- Eliminating monthly mortgage payments*

**Borrower must occupy home as primary residence and is responsible for property taxes, homeowners' insurance, home maintenance and any HOA fees.*

LEARN MORE

- Am I eligible for a reverse mortgage?
- How much $ is available to me?
- How can I get a quote?
- What terms/rates are available?
- Can I use a reverse to purchase a home?