

HELOC VS HECM LOC

Paying the Interest

We all know that some clients cross shop reverse mortgages and HELOCs and an attractive feature of a HELOC is only requiring interest-only payments for the first 10 years. While HECMs don't require monthly payments¹, the loan balance increases over time.

What if the borrower does make interest and annual MIP payments each year, like they would on a HELOC. Here's the scenario:

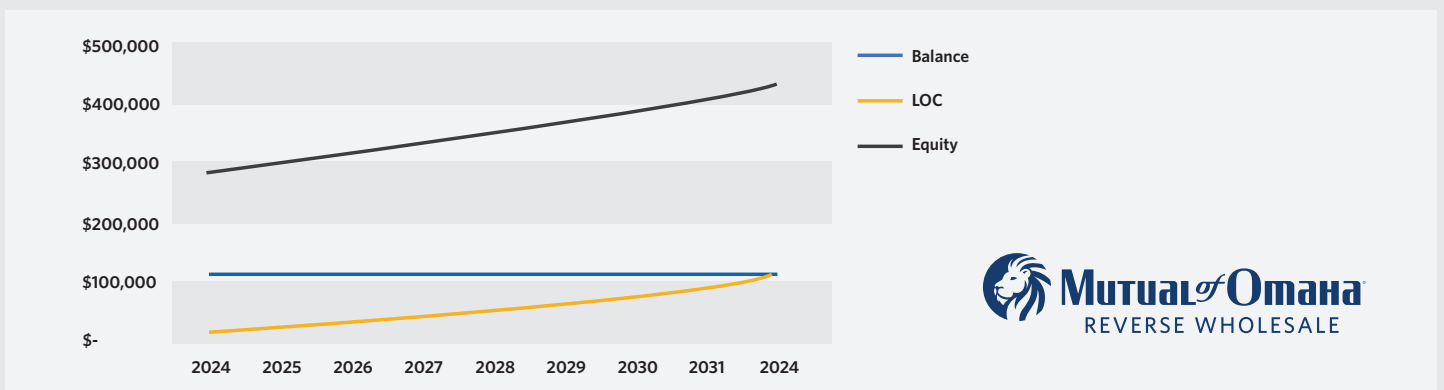
A 62-year-old borrower who is still working, plans on retiring at age 70, they would like to pay off their existing mortgage,

but they're concerned about future equity since they are still young. Getting a HECM now would allow them to eliminate their largest monthly payment. However, they would still like to make interest and MIP payments until they retire so the balance remains low, and the LOC grows!

Youngest Borrower	62	Beginning Loan Balance	\$116,080	Loan Balance - Year 8	\$116,084
Expected Rate	6.88%	Beginning LOC	\$10,720	LOC Balance - Year 8*	\$112,249

Making monthly payments of approximately \$738 until they retire at age 70 could keep their loan balance nearly constant and increase their line of credit balance tenfold.

Year	Interest Rate	Other Distributions	Line of Credit	Interest	MIP Interest	Balance	Property Value	Equity
2024	6.875	\$100,000	\$10,700	\$ -	\$600	\$116,080	\$400,000	\$283,920
2025	6.875	\$(8,856)	\$20,393	\$8,256	\$600	\$116,081	\$416,000	\$299,919
2026	6.875	\$(8,856)	\$30,805	\$8,256	\$600	\$116,081	\$432,640	\$316,559
2027	6.875	\$(8,856)	\$42,012	\$8,256	\$600	\$116,081	\$449,946	\$333,865
2028	6.875	\$(8,856)	\$54,073	\$8,256	\$600	\$116,082	\$467,943	\$351,861
2029	6.875	\$(8,856)	\$67,054	\$8,256	\$600	\$116,082	\$486,661	\$370,579
2030	6.875	\$(8,856)	\$81,026	\$8,256	\$600	\$116,083	\$506,128	\$390,045
2031	6.875	\$(8,856)	\$96,064	\$8,256	\$600	\$116,083	\$526,373	\$410,290
2032	6.875	\$(8,856)	\$112,249	\$8,256	\$600	\$116,084	\$547,428	\$431,344
Total:			\$ 26,152					



*Example shown is for illustrative purposes only. Actual down payment amounts may vary based on interest rate, borrower age and other factors. This range assumes closing costs will be financed into the loan. Closing costs include an up-front mortgage premium of the property value as well as other closing costs such as an origination fee, title insurance, appraisal fee, credit report fee and recording costs. Please check with your Loan Specialist for actual figures.

¹Borrowers remain responsible for paying taxes and insurance.

