

PREPAYMENTS ON A HECM

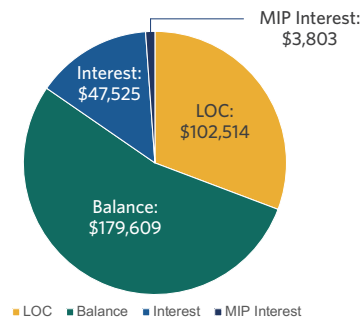
Principal Limit increases by the Note Rate +0.5% over the life of the loan. 100% of the loan's Principal Limit must be allocated throughout the life of the loan. This means when partial prepayments are made, additional Principal Limit becomes available. The pie chart illustrates how Principal Limit is "sliced." When the slices shrink according to the waterfall (described below) the LOC slice will get larger.

The Prepayment Waterfall: This term refers to the order in which prepayments are applied to a HECM. The waterfall is used to determine if the prepayment amount(s) during a calendar year are enough to require the lender to provide a 1098 to the borrower. The order of the waterfall is: (1) MIP, (2) servicing fees (if applicable), (3) interest, and (4) principal.

Loan Projections: The comparisons below show what might happen to a loan with a beginning loan balance of \$128,282 and Principal Limit of \$201,500 with an Expected Rate of 6.25%. The projections assume no LOC draws.

No Prepayments vs Prepayments - 5 Years

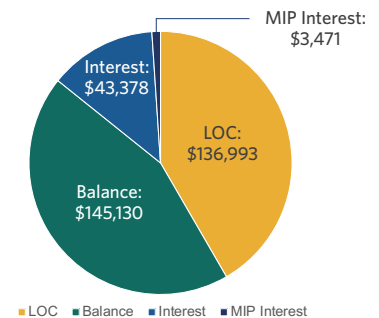
No Prepayments - 5 Years
Principal Limit: \$282,123



5 Years After Closing:

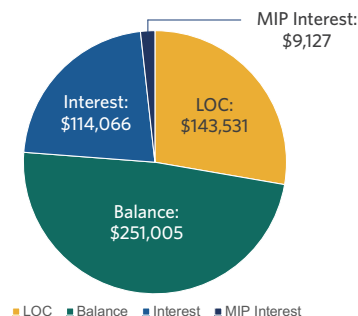
\$30,000 of prepayments could mean over \$34,000 more in LOC and a lower loan balance. Prepayments also increase the property's equity! Prepayments are a great way to save on interest too!

\$6,000 Annual Prepays - 5 Years
Principal Limit: \$282,123



No Prepayments vs Prepayments - 10 Years

No Prepayments - 10 Years
Principal Limit: \$394,268



10 Years After Closing:

\$60,000 of prepayments have even greater results. It could mean over \$82,000 more in LOC and a lower loan balance. Prepayments also increase the property's equity!

\$6,000 Annual Prepays - 10 Years
Principal Limit: \$394,268

