



Reverse

Mortgage

Presentation

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Overview

- Enables homeowners age 62 and older to turn a portion of their home's equity into tax-free funds without having to sell their home or give up title
- No repayment required until the home is no longer their primary residence
- There are no income, asset, employment, medical or credit requirements to qualify



Special Features

- Cash advances may be used for any purpose
- The homeowners retain title and ownership of their home
- Tax-free cash advances do not affect Social Security or Medicare benefits



Common Uses For Cash Advances

- Basic everyday living expenses
- Property taxes & homeowners insurance
- Deferred home maintenance
- Medical expenses
- Pay off debts (*1 in 7 pay 40% of income on debts*)
- Maintain financial independence & control



Demand Is Growing

- Doubled in just the past year
- AARP receives more calls on reverse mortgages than on Social Security and Medicare combined
- Popularity attributed to greater awareness and comfort in product, and increasingly tighter budgets of senior adults
- Eighty-one percent of senior adults want to age-in-place



Types of Reverse Mortgages

- Home Equity Conversion Mortgage or HECM (Federal Housing Administration or FHA)
 - Most popular, accounting for 90 percent
 - Monthly & Annual
- Home Keeper Mortgage (Fannie Mae)
 - Home Keeper for Home Purchase
- Private Lender Product (*not in every state*)
 - Jumbo Cash Account – properties up to \$2 million



Eligibility

- All homeowners must be 62 years of age or older
- Own home free and clear, or
- Home debt must be paid off with reverse mortgage proceeds or personal funds
- Occupy property as primary residence
- U.S. citizen or permanent resident alien (*Green Card Holder*)



Property Eligibility

- Single family & 2- to 4-unit dwellings
- PUD's, condominiums, town homes
- Cooperatives (*HUD guidelines apply*)
- Manufactured & mobile homes (*HUD guidelines apply*)
- Life estate & leasehold interest in property

For FHA HECM, property must have been completed more than one year prior to application. Properties listed for sale at application are ineligible.



Property Condition

- Appraiser will inspect property
- Required repairs costing \$500 or less must be completed prior to closing
- Required repairs greater than \$500 but less than 15% of the maximum claim amount may be completed after closing with a repair set-aside
- Required repairs over 15% of the maximum claim amount must be completed before closing
- Properties that require repairs in excess of 30% of the maximum claim amount are not eligible



Other Eligibility Requirements

- Attend a free educational counseling session with a HUD-approved counselor
- Trusts, Guardianships, DPOA's
- No limit on homeowners with FHA HECM. Maximum of 3 homeowners with Fannie Mae Home Keeper
- Non-permanent resident aliens are only allowed if a co-borrower is either a U.S. citizen or permanent resident alien



Cash Advance Determined By

- Age of youngest homeowner – *the older you are the more you receive*
- Current interest rate
- Appraised value, or
- Lending limit, whichever is less



Cash Advance Options

- Lump Sum: All available funds advanced in one disbursement
- Tenure Plan: Equal monthly payments to borrower(s) for as long as they are living in home
- Term Plan: Equal higher monthly payments for a fixed period of time (*not available with Home Keeper*)



Cash Advance Options - Continued

- Line of Credit: Advances available at borrower's discretion (*available in Texas February 1, 2006*)
 - The line of credit has a tax-free growth rate equal to the interest rate which increases the amount available to you (*not available with Home Keeper*)
- Or, any combination of cash advance options for maximum flexibility and benefit

You can change your cash advance options as many times as you wish until your funds are exhausted.



Interest Rate

- No fixed rate (*adjustable rate only*)
- Rates are set by FHA & Fannie Mae, and are **the same for all lenders**
- Interest will accrue daily and be added to the outstanding balance monthly
- For HECM, the rate is based on the 1 year Treasury Security. For Home Keeper, the rate is based on the 1 month CD

Today's HECM interest rate is _____



Closing Costs

- Origination Fee
- Mortgage Insurance Premium
- Standard Third Party “Allowable” Fees (*i.e., appraisal, credit report, termite inspection, document preparation, title exam & insurance, flood certification, settlement & recording fees*)

Closing costs are financed by the reverse mortgage so there is nothing for you to pay at closing.



Servicing Fee

- Paid to servicer to cover costs associated with administration of reverse mortgage after closing
 - Account Statement
 - Pay MIP to FHA
 - Track Taxes & Insurance
 - Cash Advance Disbursements
 - Toll-free Customer Support
- Servicing fee is set aside up front so the borrower does not have to worry with paying it each month



Protections & Safeguards

- Non-Recourse – ***no debt to you or your heirs***
- No Prepayment Penalty – *may repay at any time either in whole or in part and without penalty*
- Three Day “Right of Rescission”
- Educational Counseling Session – *to ensure you understand the program and to examine other options*
- Advance Disclosures – *receive a full set of legal documents at application to review prior to closing*



Repayment

- Repayment is required in one lump-sum payment when:
 - Property is sold, or
 - Borrower(s) no longer live in home
- Repayment options:
 - You or your estate may sell your home and use the proceeds to pay off the reverse mortgage. (*Balance of equity goes to you or your heirs.*)
 - Your heirs may keep the home in the family and pay off the reverse mortgage from their own funds or with a new mortgage.



Summary

- **Security** – You never make a payment, never give up title to your home, and can never be forced to move.
- **Flexibility** – Structure your cash advance plan for maximum benefit (i.e., lump sum, line of credit, or monthly), and change your plan as many times as you wish.
- **Peace of Mind** – Never leave a debt to your heirs, and maintain your financial independence and control in the comfort of your home.



Getting Started

1. Receive a FREE Confidential Consultation and Quote
2. Make appointment for application, and provide copies of required documents
3. Attend a FREE Educational Counseling Session
 - Face-to-Face, or
 - Phone Counseling