A Family Guide

REVERSE MORTGAGE INFORMATION
for children and caregivers

The senior care challenge

Caring for an aging loved one can be challenging at times. As an adult child and caregiver, some of the difficulties you may encounter daily include having less time for other family members and yourself, balancing work and caregiving, dealing with physical and mental stress and dealing with mounting financial obligations that can be associated with senior care.

Luckily, Home Equity Conversion Mortgage (HECM) loans, also known as reverse mortgages, are available to help older Americans access the wealth in their homes. This powerful retirement funding tool taps into home equity to **help pay for the care they need,** and enables them to continue living in their homes.

We are dedicated to informing seniors, their adult children and caregivers about how a reverse mortgage can enhance their lives during retirement and help them age in place.

What is a HECM reverse mortgage?

A HECM is a government-insured loan for those aged 62 and older, with no monthly loan payments for as long as the borrower lives in the home, continues to pay taxes and insurance, maintains their home, and otherwise complies with the loan terms.

Aging **in place**

Aging in place helps enhance a senior's quality of life by empowering them to:

- Continue living in their comfortable and familiar environment while preserving their community connections
- Feel independent, while remaining close to family and friends
- Reside in a home that may have emotional value for them and/or their children

"Not only can care be provided less expensively in the home, evidence suggests that home care is a key step toward achieving optimal health outcomes for many patients."

The Joint Commission Home Care Program "Home – The Best Place for Home Health Care," 2011

3 COMMON QUESTIONS about reverse mortgages.

LEARN MORE NSIDE

A solution **for senior care**

For those who are 62 or older, a reverse mortgage can be used to help pay for senior care, giving loved ones the opportunity to live safely and comfortably in their homes, on their own terms.

A reverse mortgage can:

- **Pay for in-home care services,** reducing the need for expensive nursing homes and offering improved quality of care
- Fund in-home care, which can be ramped up as gradually or quickly as needed – from household chores to 24-hour nursing care
- Allow access to a standby HECM reverse mortgage **growing line of credit** – which can be set up in advance, before care is needed – ready to help pay for unplanned expenses
- Eliminate monthly mortgage payments‡ for as long as your loved one lives in his/her home and otherwise complies with the loan terms
- Provide tax-free proceeds†

How
can you qualify?

Qualification is simple and easy, and is based on the important factors below:

- You must be age 62 years or older; your non-borrowing spouse may be under age 62
- Own your home
- Occupy your home as your principal residence

Flexible loan disbursement options:

A LUMP SUM PAYOUT

Pay off large expenses or other debts

MONTHLY PAYMENTS

For a set period of time or for as long as you live in your home and comply with loan terms

A HECM GROWING LINE OF CREDIT

Access to funds when you need them

How
does it work?

A HECM reverse mortgage allows your loved ones to access their home equity and turn it to cash, a line of credit or a combination of the two.

The loan amount they qualify for is based on their age, their home's appraised value, and current market interest rates. With a reverse mortgage, there are no monthly mortgage payments‡ required, but the borrower is responsible for paying property taxes, maintenance and insurance. When the last remaining spouse leaves the home (or does not comply with the loan terms), the loan balance including any fees and interest, becomes due.

"It's going to be more **important to look** at housing wealth as a resource to sustain retirement because a house is a big part of a baby boomer's wealth compared to just portfolio value. A **reverse mortgage is a nice addition** for risk management—and for many people it's probably going to be a need rather than a want."

John Salter, Ph.D. - Assistant Professor of Financial Planning, Texas Tech University

3 Common **questions**

1. What happens to the family home?

Borrowers may leave the home to loved ones as they wish, and heirs may still choose to sell or keep it after repaying the loan. There are various methods that borrowers or heirs can use to repay the loan when it is due.

2. How do we repay the loan and how much will we owe?

The loan is repaid once both spouses have left the home or the loan terms are not complied with. If the home is sold, the loan (including interest and fees) is repaid, and any remaining equity goes to the borrower or the borrower's estate.

3. What happens if our parents leave their home before receiving their full reverse mortgage loan?

If your loved one leaves the home, any part of the loan that hasn't yet been disbursed remains as equity in the home and becomes part of the estate. The reverse mortgage becomes due and the heirs are given a reasonable time to sell the home. They also have the option to keep the home by paying off the reverse mortgage loan or refinancing. Otherwise, the home is sold with proceeds first paying off the reverse mortgage loan, and the remaining balance going to the estate.

Deciding together

We encourage loved ones to get involved and go through the loan process alongside family members, so that everyone understands how a reverse mortgage works. **We realize that a reverse mortgage is a big financial decision and we suggest the following tips to help guide your family's reverse mortgage discussion:**

Tip 1 - Living Choices Where are your parents going to live as they get older? Do they want to stay at home or move to an assisted living facility? These questions can help your family better understand about your loved one's future living preferences.

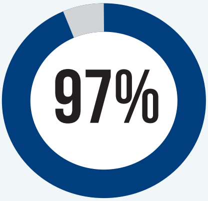
Tip 2 - Finances Have your parents calculated the costs involved in meeting their retirement goals? Have they consulted with a financial advisor to find out how much money they will need for long-term care expenses? Can they afford to maintain their current lifestyle, and if not, can you afford to supplement their income? Knowing your parents' financial situation can help plan for the future - resulting to greater peace of mind for everyone. Have your parents planned financially for their potential senior care health needs?

Tip 3 - Health Have your parents outlined their goals for a healthy retirement lifestyle? Are their health screenings and medical checks up-to-date? Addressing health concerns is valuable as our parents advance in age.

Tip 4 - Talk With a Professional Did you know that you can use a reverse mortgage to fund home modifications? Or that your loved one will continue to own his/her home when they get a reverse mortgage? Our reverse mortgage professionals are trained to help you explore your parent's financial situation, provide you up-to-date facts and walk you through the process every step of the way.

CALL TODAY
to speak with a reverse mortgage professional.

CONSIDER THE NUMBERS



More than 97 percent of Americans make no advanced plans for their eventual senior care needs[1]

The percentage of adult children who want their parents to pay their bills and not worry about leaving an inheritance[3]

For couples, there is a 91 percent chance that one of them will require care[2]

The cost of senior care may range from $29,640 per year for in-home care to more than $94,170 per year for convalescent care[4]

CONSIDER THIS SOLUTION:
The best strategy for seniors may be to set-up a HECM
advance, so funding is ready if and when care is needed

[1]American Association for Long-term Care Insurance retrieved from aaltici.org. [2]USA Today "Do Retirees Need
Disability Insurance?" Retreived from LongTermCare.gov. [4]John Hancock (2013). "Long-Term Care Cost of Ca

Senior care is one of the most significant life events, yet most seniors don't adequately plan for it. Many Americans believe that long-term care will be paid for by their medical insurance. The reality is that Medicaid will pay for most long-term care patients in the U.S., but it is targeted to those with low income and fewer assets. For clients in the middle-class, care can come at a great price.

reverse mortgage mortgage standby line of credit in
d.

d Long-Term Care Insurance?" [3]U.S. Department of Health and Human Services."What is Covered by Health &
are Survey". from http://www.sfpfinancial.com.

†Please consult with your tax advisor. ‡Borrower must continue to pay for property taxes, homeowner's insurance and home maintenance. *Social Security benefits estimator available at www.ssa.gov/estimator. **Required as part of loan. These materials are not from HUD or FHA and were not approved by HUD or a government agency.