Your Guide

REVERSE MORTGAGES

Your guide
to reverse mortgages

Let us show you how to convert a portion of your largest asset – your home equity – to fund your retirement needs.

What is a HECM reverse mortgage?

Home Equity Conversion Mortgages (HECMs), also known as reverse mortgage loans, were created over 25 years ago to help Americans age 62 and older **convert a portion of their home equity into tax-free money**.[†] HECM reverse mortgages are insured by the Federal Housing Administration (FHA) and allow seniors to age in place and achieve retirement security.

How
does it work?

A reverse mortgage loan allows you to turn some of the equity in your home into cash to improve your lifestyle in whatever way you choose. You will continue to live in your home, retain ownership and will not be required to make any monthly mortgage payments during the loan period. Instead of repaying the loan monthly, the loan balance is repaid when all borrowers have left the home. You will be required to pay for property taxes, home insurance and home maintenance.

The loan balance also becomes due upon the occurrence of other events including non-compliance with the loan terms.

How
can you qualify?

What are the qualifications?

Qualifications include:

- **The borrower on title must be 62 years or older (a non-borrowing spouse may be under age 62)**
- **The home must be the borrower's primary residence**
- **The borrower must own the home**

(The borrower must meet the financial requirements of the HECM program)

Reverse Mortgage Options.
The amount you receive is based on these factors:

Age	Home Value	Interest Rates
The older the borrower(s), the more funds may be available	The higher the appraised home value, the more funds may be available	The lower the interest rate, the more funds may be available

You'll have flexibility to choose from one or more of these loan disbursement options:

Lump Sum Payout	Monthly Installments	HECM Growing Line of Credit
Pay off large expenses or other debts	Regular cash installments in the amount you need for a set period of time or for the life of the loan	Access the available "standby" funds when you need them

Common uses
of a reverse mortgage

1. Pay off an existing mortgage** and eliminate monthly mortgage payments
2. Make retirement savings last longer
3. Use a "standby" HECM reverse mortgage growing line of credit to preserve investment accounts during market downturns or build a safety net for unplanned emergencies, home repairs and healthcare expenses
4. Supplement your retirement income with monthly payments
5. Use a HECM for Purchase loan to buy a home that better fits your needs *(see page 10 for more information)*
6. Support aging in place expenses, like caregiving and home modifications

5 advantages of HECM reverse mortgages:

ONE
No monthly mortgage payments‡

TWO
Tax-free proceeds†

THREE
Keep your home

FOUR
Federally-insured by the government

FIVE
Delay your Social Security benefits*

Recent HECM program changes

How do recent program changes benefit me?

Recent HECM program guidelines were put in place by the United States Department of Housing and Urban Development (HUD) to protect borrowers and further strengthen the HECM reverse mortgage mortgage loan program.

1

Financial Assessment

Effective April 27, 2015, HUD will require a more thorough evaluation of a borrower's ability to meet the obligations of his/her HECM reverse mortgage loan.

2

Non-borrowing Spouse

New loan amounts are available to borrowers with a non-borrowing spouse under the age of 62. **New rules also allow the eligible spouses of borrowers who pass away to stay in the home without foreclosure.** (The surviving eligible spouse must continue to comply with all loan terms‡).

3

More Affordable

Upfront **mortgage insurance premiums (MIPs) have been lowered** by the FHA. As long as you don't take more than 60 percent of your proceeds in the first year, you will be charged an upfront MIP of 0.5 percent of the appraised value of the home. If you cross the 60 percent threshold, the upfront MIP will be 2.5 percent

(on a $200,000 home, 2.5% is $5,000 vs. $1,000 for 0.5%).

Consumer **safeguards**

A number of consumer safeguards have been established to protect reverse mortgage borrowers. These protections ensure lenders like us are doing their jobs right, and that you and your family have a thorough understanding of how a reverse mortgage works. The following consumer safeguards were instituted for your benefit:

CALL TODAY to speak with a

1

No Pre-payment Penalty

You can **choose to repay the loan at any time** without incurring any additional costs.

2

Non-recourse Loan

HECMs are considered non-recourse loans in which the **borrower can never owe more than what the house is worth** at the time the loan is paid back.

3

Counseling

All reverse mortgage applicants undergo independent, third-party counseling. This ensures that borrowers understand the financial implications associated with their reverse mortgage, what their obligations are and what other alternatives may be available to them. **We encourage and support third-party counseling** so that you feel completely comfortable with the process and understand your options.

reverse mortgage professional.

4

Safer

HUD established principal limits on the amount of money you can borrow during the first year of your loan. This may **ensure home equity proceeds last longer.**

5

HUD Fee Limitations

HECM origination fees are regulated by HUD. Other HECM reverse mortgage costs may vary among creditors and loan types.

6

Greater Retirement Security

Financial advisors are including the reverse mortgage growing line of credit as part of their clients' long-term retirement planning strategies, helping **stretch other investments even longer** into retirement.

4 Common **questions**

1. Does the bank own my home?

No. Reverse mortgage borrowers retain ownership of their homes. They are not relinquishing title or ownership using a reverse mortgage, but borrowing against the value of the home. A borrower may not lose their home under normal circumstances, as long as they comply with loan terms.

2. What are the different ways I can receive my reverse mortgage funds?

Reverse mortgage funds can be disbursed in a number of ways: full or partial lump sum, as a line of credit, through monthly payments, or a combination of any of these.

3. What if the loan amount ends up more than the value of the home? Who will be responsible for the loan?

Reverse mortgages are non-recourse loans. What this means is that if somehow the loan balance ends up surpassing the value of the home, the lender cannot collect more than the value of the home. Under the HECM program, the difference between the loan balance and the home value is covered by the Federal Housing Administration's (FHA) insurance fund.

4. Will a reverse mortgage affect my Social Security, Medicare or pension benefits?

No, these benefits will not be impacted. Reverse mortgage funds are considered loan proceeds and not income. However, Medicaid and other income-based benefits† may possibly be affected. What's more, the longer you wait to access Social Security benefits, the more you may receive. A reverse mortgage can help delay accessing Social Security in order to boost your lifetime retirement income*.

Reverse mortgage process

Call Us Today

1 The first step is to learn more and the best way to determine if a reverse mortgage suits your specific situation is to call us. **No question is too big or too small.** Our licensed reverse mortgage professionals will walk you through a free, no-obligation financial snapshot of your situation, how much you may qualify for, and then help you decide on your next steps.

Counseling & Application

2 In order to safeguard your interests, HUD requires all reverse mortgage applicants to undergo reverse mortgage counseling. During this time, your loan application will also be completed. **Your reverse mortgage professional will be happy to help you** with the application and answer any questions along the way.

Processing & Approval

3 We will then schedule an appraisal to determine the value of your property – a requirement for every mortgage application. The appraisal will be added to your application and submitted for underwriting review.

Closing

4 A closing agent will contact you to sign the final documents and discuss any funding questions you might have.

Did you know **you can buy a home** with a reverse mortgage?

A **HECM for Purchase loan** combines a reverse mortgage with the equity from the sale of your previous home - or from other savings and assets - to buy your next primary home in a single transaction. Regardless of how long you live in the home or what happens to your home's value, you only make one down payment towards the purchase.

Additional benefits include:

- **No monthly mortgage payments‡**
- **Increase your purchasing power**
- **Contributes toward the down payment on the home purchase**
- **Rightsize to a lower maintenance home**
- **Buy a home closer to family and friends**
- **Lower your cost of living during retirement**

Sell Your Home

You sell your existing home for $500,000.

Purchase New Home

You find a NEW home for $350,000.

Use $200,000 as a down payment.

Use $150,000 from a HECM For Purchase to complete new home purchase.

For illustration purposes only.

$200,000 DOWN PAYMENT

+$150,000 HECM TO COMPLETE PURCHASE

$350,000 NEW HOME PURCHASE PRICE

$300,000 at your disposal and no monthly mortgage payments†

†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.