

## **Reverse Mortgage Analysis**

## **General Information About Reverse Mortgages**

### **What is a Reverse Mortgage?**

A Reverse Mortgage is a federally regulated program for homeowners, aged 62 and older. It allows the equity in your home to pay you rather than you paying for the home.

### **What is a Government Insured HECM program?**

HECM stands for Home Equity Conversion Mortgage. It is a federally insured and guaranteed program. The HECM is a safe way for you to access the equity in your home without ever making a mortgage payment.

### **How is this Program "safe" for Senior Homeowners?**

No matter what happens in the economy, how much money you receive, or how long you live in your home you will never be required to make a mortgage payment. In addition, no matter what happens to your lender or your home's value you have guaranteed access to your money.

### **Who owns the home if I take a Reverse Mortgage?**

You own the home. However, you pledge the home as collateral.

### **What happens if, in the future, the Loan exceeds the Value of the Home?**

Your Reverse Mortgage will continue - thanks to the federal insurance. The line of credit will still be available and monthly disbursements you may have set up, will still be sent to you.

### **How are Reverse Mortgages different today?**

Today's reverse mortgages are highly regulated by State and Federal laws to make them safe and to protect you. Among others, the following regulations apply:

- You retain title of the home.
- No equity share is allowed, meaning the lender does not slowly take over your home.
- Fees and costs are federally regulated.

### **How does a Reverse Mortgage compare to a Conventional Mortgage?**

In a conventional forward mortgage, you make monthly payments to the bank eventually paying off the mortgage over time. With a reverse mortgage you receive cash from your lender, as lump sum upfront, as monthly installments or as a line of credit that grows over time. As long as you live in your home you never have to pay off a single dollar of the loan.

### **What restrictions apply to the cash I receive from a Reverse Mortgage?**

It is your money and you can use it the way you want. It's non-taxable and does not affect Social Security payments. We do recommend that you talk to a competent financial advisor to determine the effect on any other benefits you may be receiving.

### **When does a Reverse Mortgage become due and what happens then?**

When you no longer live in your home or when you pass away, the reverse mortgage becomes due. You or your heirs have two options:

- 1) Pay off the reverse mortgage including the accrued interest and retain ownership.
- 2) Give up ownership of the home and receive the difference between the net sales proceeds and the loan balance. You will not be liable for any shortfall if the sales proceeds do not cover the loan.

### **What are my obligations under a Reverse Mortgage?**

With a Reverse Mortgage you retain title to your home. This means that you also have all your

obligations as a home owner. You are responsible for home owner taxes and insurances.

## **Your Reverse Mortgage**

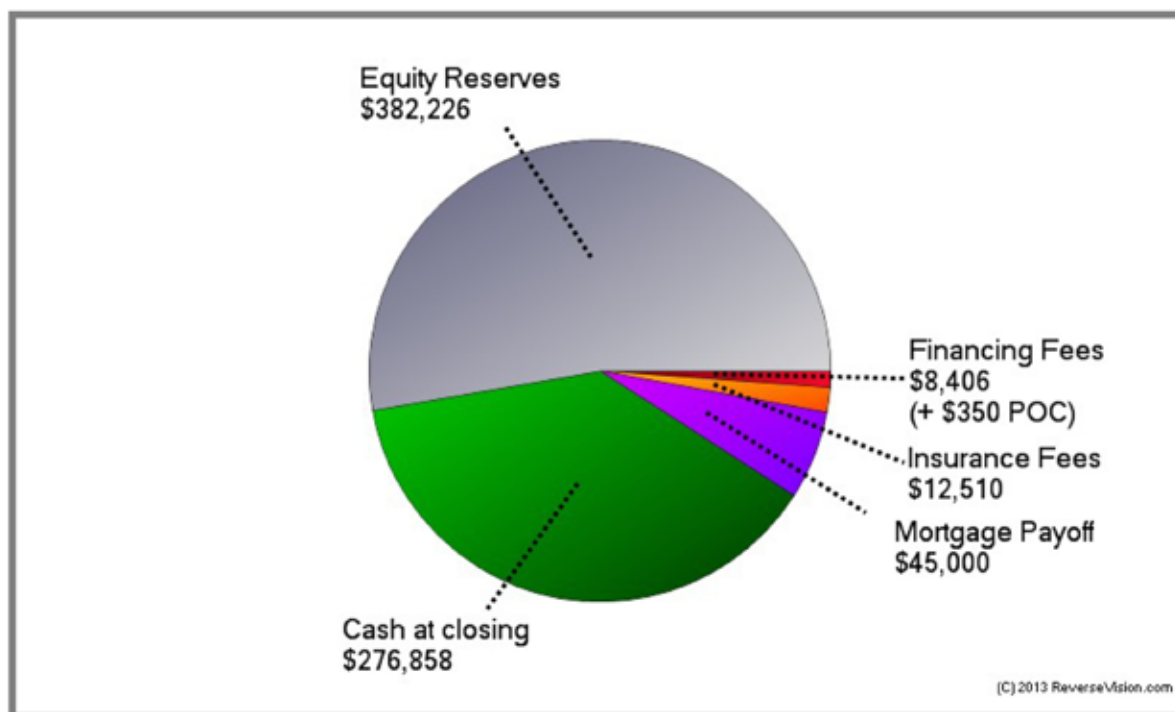
Based on the information you have provided, you are eligible to receive an estimated \$321,858 in proceeds from the government insured HECM Reverse Mortgage.

### **You May Choose How You Want to Receive the Proceeds**

You can decide how you want to receive the proceeds from the Reverse Mortgage:

1. Lump Sum Cash at Closing:
2. Line of Credit:
3. Monthly Cash Proceeds for Life:
4. Or a combination of the three

The following pie graph illustrates a sample of the Reverse Mortgage and also gives an overview over fees, costs and reserves. Feel free to ask me to calculate for you another scenario.



The pie chart shows you the benefits and costs of your Reverse Mortgage.

### **The Value of your Home: \$725,000**

The total pie represents your home against which you borrow. \_

### **Cash at Closing: \$276,858**

This is the amount that you receive at the closing of the Reverse Mortgage.

### **Mortgage Payoff: \$45,000**

Your mortgage and liens will be paid off with the Reverse Mortgage, relieving you from monthly payments.

These include several third party fees including legal fees, registration fees, and State and County taxes for registration. The origination fee of \$6,000 is also part of the Financing Fees. The origination fees covers my company's expenses to originate, process and close the Reverse Mortgage and my compensation. All the fees are listed in detail in the Good Faith Estimate.

Insurance fees and financing fees are paid for with the proceeds of your Reverse Mortgage, so you won't have to pay for them when you take out the Reverse Mortgage. Also all fees are federally regulated.

**Insurance Fees: \$12,510**

This may be the best insurance you ever paid for. It is for the mandatory federal insurance that protects you and your estate in case the Reverse Mortgage exceeds the property value.

**Equity Reserves: \$382,226**

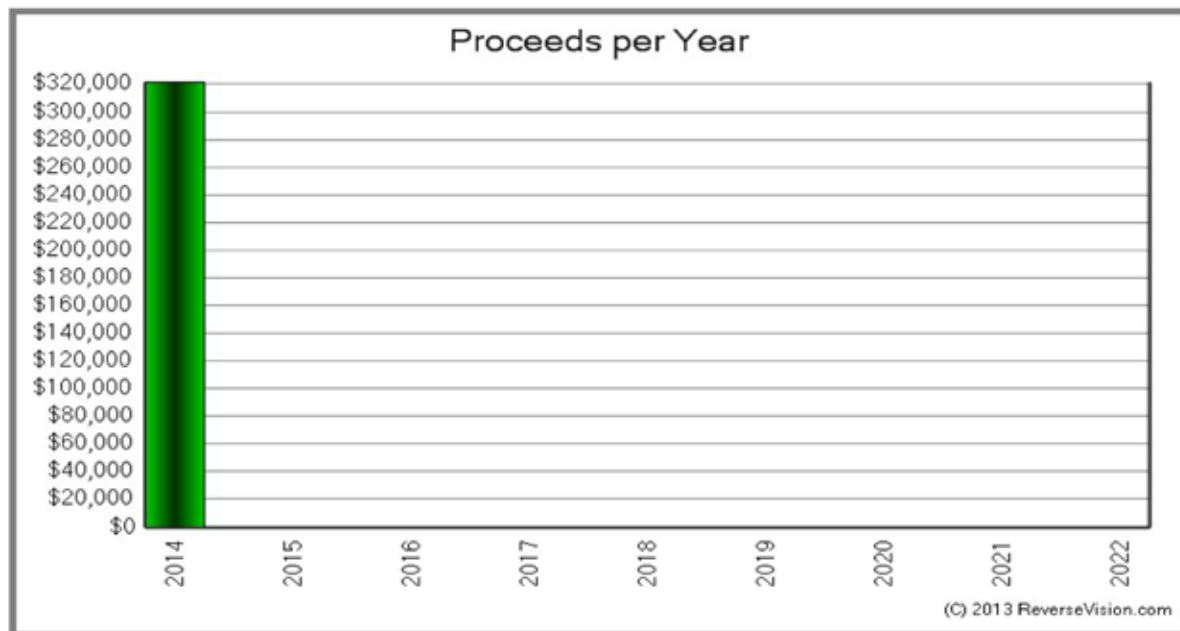
This is part of the value of your property that cannot be touched when you take a Reverse Mortgage. It is part of your equity.

**Servicing Reserves: \$0**

Servicing Reserves are set-asides that will cover the servicing of your Reverse Mortgage. Servicing means sending you cash from the Reverse Mortgage when you ask for it, providing you monthly statements and assisting you with ongoing questions regarding the Reverse Mortgage. The cost for servicing is \$0 per month.

## **Your Reverse Mortgage Over Time**

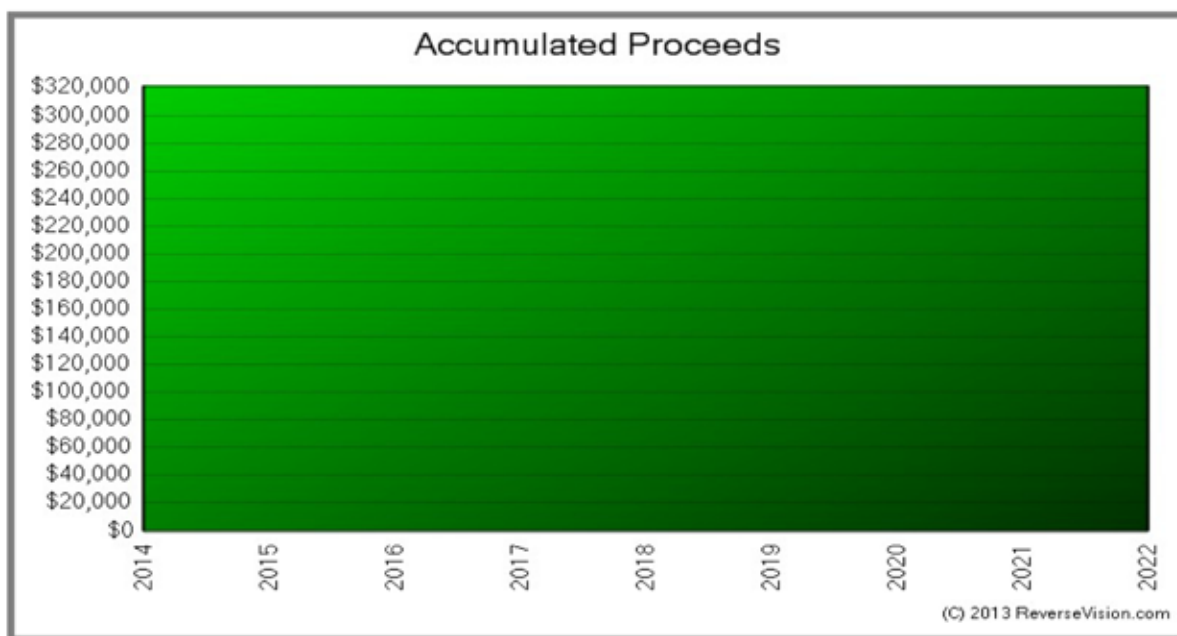
The main strength of a Reverse Mortgage is that it is a financial instrument for the long-term. It is for that reason that I have prepared some charts that illustrate a plausible future scenario.



### **Advances from the Reverse Mortgage**

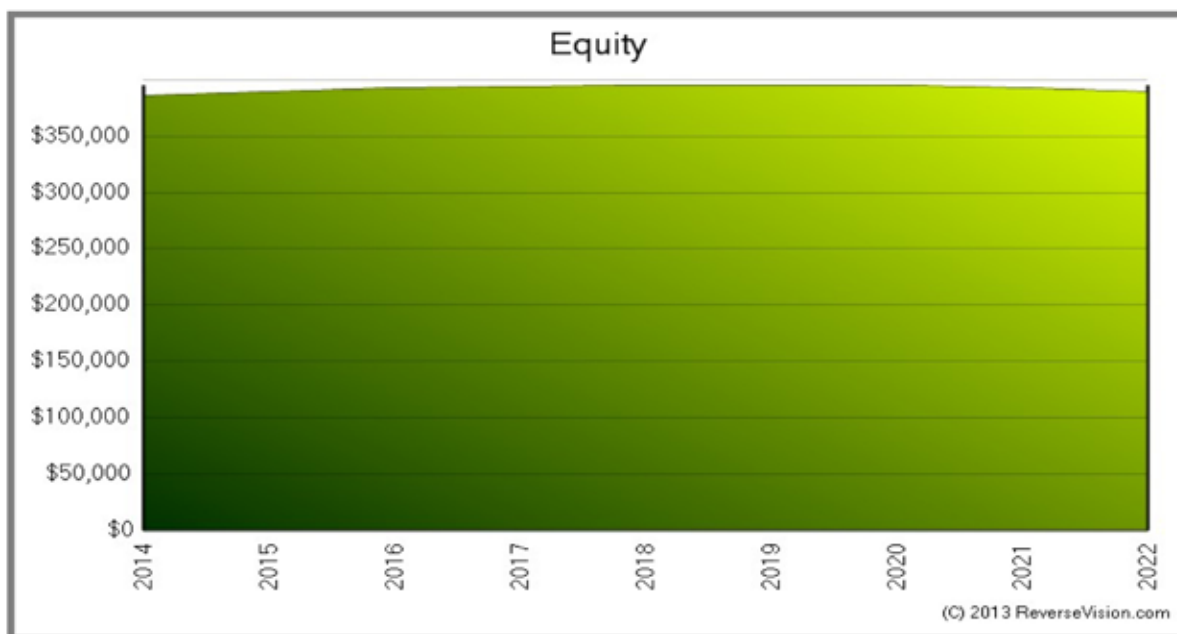
The Reverse Mortgage provides cash to you. The payment to you during the first year includes:

- Payoff of the mortgage of \$45,000, paid on behalf of you.
- A lump sum of \$276,858 paid to you at closing.



#### Accumulated Advances from the Reverse Mortgage

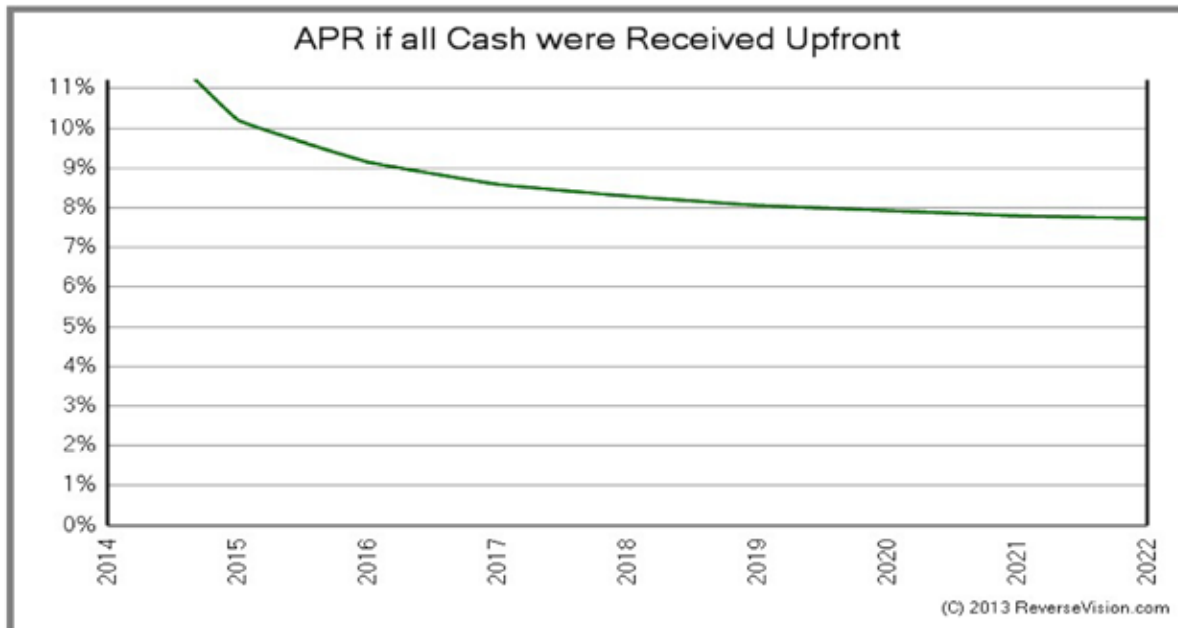
The above diagram illustrates the accumulated cash paid to you over time.



#### Your Equity

With a Reverse Mortgage you retain ownership of your home. However you accrue the outstanding balance of the Reverse Mortgage. The difference between the value of your home and the outstanding balance is your equity. This is the amount that you would receive in case you sold the home, or also the amount your estate would get in case you passed away.

The amount of the retained equity changes based on the development of the property value, interest rates, advances received and other factors.



#### **Cost of the Reverse Mortgage**

The APR or annual percentage rate reflects the true cost of any loan in a cash flow analysis. This chart assumes that all the proceeds of the Reverse Mortgage were taken out at the closing. It clearly demonstrates that a Reverse Mortgage is expensive on the short term, but also that it is very competitive on the long run.



## **About this Analysis**

The calculations in this analysis are based on your date of birth, 1/1/1948. Your home is located in SANTA CRUZ County, CA and the estimated value is \$725,000.

The analysis is for a HECM Libor 3.000. The rate is monthly adjustable, based on the 1-month LIBOR. The margin is 3.00% and the rate can never exceed 13.20%.

The calculations also assume an annual growth rate of 4% for the value of your home.

Final rates and proceeds may change. Also, if underlying assumptions change, then the numbers in the analysis will change.

## **Frequently Asked Questions**

### **Does the lender take title to my property?**

No, you retain the same ownership and title that you have today. The lender puts a lien on the property, just as they would with a regular forward mortgage, which is paid off when you sell your property, or when you pass and your heirs inherit and they can pay off the loan with another loan or other funds.

### **When does the Reverse Mortgage need to be paid off?**

When you sell the property or no longer occupy your home as your primary residence for a period of 12 months or longer.

### **What does the lender expect from me?**

You must maintain the property in reasonably good condition. You must pay the property taxes and the homeowners insurance and any homeowner's association dues you may have. And of course, the lender expects you to continue to occupy the property.

### **I currently hold title in a Trust, can I keep it that way?**

Yes you can but the lender and title company do require that they review the trust and it must be approved. If you hold title in a trust you should let your Loan Officer know up front so he/she can get a copy of the trust and have it reviewed immediately so that there are no surprises later. Most trusts are prepared with lenders and their requirements in mind so they are not a problem but it is best to know as early on as possible!

### **Will my heirs still receive an inheritance?**

Yes, after the balance of your reverse mortgage is paid off, all remaining equity will go to your heirs. One of the forms we provide you with before you close your loan is an amortization schedule so you will always know the principal balance of your loan, year by year. How much equity will remain will depend on such variables as how much money you draw, how long you stay in your home, home appreciation, your home experiences, and interest rates (if you have a variable interest rate loan).

## **What's Next?**

Call me at 305-556-4422 to schedule an appointment with you and your family.



The U. S. Department of Housing and Urban Development (HUD) requires that homeowner(s) interested in pursuing a Home Equity Conversion Mortgage (HECM) receive mandatory counseling regarding the implications of and alternatives to a reverse mortgage from a HUD-approved HECM counseling agency. We are required by HUD regulations to provide you with a list of HECM counseling agencies. The list must include all HUD-approved counseling intermediaries that can provide telephonic counseling, as well as five (5) counseling agencies within your local area, state or both, with at least one of the local agencies located within a reasonable driving distance for the purpose of face-to-face counseling

**Phone Counseling:**

- National Foundation for Credit Counseling (NFCC):	866-698-6322
- Money Management International (MMI):	877-908-2227
- Consumer Credit Counseling Svc of Atlanta:	866-616-3716
- National Council on Aging (NCOA):	800-510-0301
- ClearPoint Financial Solutions:	877-877-1995
- Springboard:	800-947-3752
- Homefree:	301-891-8423
- Greenpath:	888-860-4167
- Neighborhood Reinvestment Corporation:	888-990-4326

CCMS, INC. D/B/A DEBTHELPER.COM  
1325 N. CONGRESS AVENUE, SUITE 201  
WEST PALM BEACH, FL 33401  
(800) 920-2262  
Agency ID: 83706

PROJECT SENTINEL  
1490 EL CAMINO REAL  
SANTA CLARA, CA 95050-4609  
(408) 720-9888  
Agency Id: 81203

AVENIDAS  
450 BRYANT ST  
PALO ALTO, CA 94301-1701  
(650) 289-5433  
Agency Id: 83809

MONEY MANAGEMENT INTERNATIONAL FREMONT  
3100 MOWRY AVE STE 403A  
FREMONT, CA 94538-1528  
(866) 232-9080  
Agency Id: 81812

EDEN COUNCIL FOR HOPE AND OPPORTUNITY (ECHO)  
770 A ST  
HAYWARD, CA 94541-3956  
(510) 581-9380  
Agency Id: 80139

CCCS OF SAN FRANCISCO  
595 MARKET ST FL 15  
SAN FRANCISCO, CA 94105-2824  
(415) 788-0288  
Agency Id: 80646

NATIONAL ASSOCIATION OF REAL ESTATE BROKERS-INVESTMENT DIVISION, INC  
2200 POWELL STREET, SUITE 530  
EMERYVILLE, CA 94608-1876  
(510) 268-9792  
Agency Id: 80759

CLEARPOINT FINANCIAL SOLUTIONS INC.

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1750 HOWE AVE STE 125  
SACRAMENTO, CA 95825-3368  
(800) 750-2227  
Agency Id: 80810

CLEARPOINT FINANCIAL SOLUTIONS INC.  
SUITE 107  
4969 E MCKINLEY AVE  
FRESNO, CA 93727-1968  
(800) 750-2227  
Agency Id: 81060

CABRILLO ECONOMIC DEVELOPMENT CORPORATION  
702 COUNTY SQUARE DR  
VENTURA, CA 93003-5450  
(805) 659-6868  
Agency Id: 81343

SUREPATH FINANCIAL SOLUTIONS  
CAMARILLO, CA 93010  
80 N WOOD RD STE 200  
CAMARILLO, CA 93010-8311  
(805) 383-7700  
Agency Id: 80640

Borrower Name/Case Number:

Refinance: **No**

#### LOAN TERMS

Age of Youngest Borrower: **66**  
 Property Value: **\$725,000.00**  
 Initial Interest Rate: **3.195%**  
 Monthly Advance: **\$0.00**  
 Length of Term:  
 Initial Advance: **\$276,857.92**  
 Lien Payoffs with Reverse Mortgage: **\$45,000.00**  
 Initial Line Of Credit: **\$0.00**

#### MONTHLY LOAN CHARGES

Servicing Fee: **\$0.00**  
 Mortgage Insurance: **1.25% annually**

#### OTHER CHARGES

Shared Appreciation: **None**

#### INITIAL LOAN CHARGES

Mortgage Insurance Premium: **\$12,510.00**  
 Other Closing Costs: **\$8,406.08**  
 POC Closing Costs: **\$350.00**  
 Annuity Cost: **\$0.00**

#### REPAYMENT LIMITS

Net proceeds estimated at 93% of projected home sale

#### Total Annual Loan Cost Rate

Appreciation Rate	Disclosure Period (Years)			
	2 Years	9 Years	18 Years	25 Years
0%	7.868%	5.214%	4.200%	3.007%
4%	7.868%	5.214%	4.841%	4.736%
8%	7.868%	5.214%	4.841%	4.736%

The cost of any reverse mortgage loan depends on how long you keep the loan and how much your house appreciates in value. Generally, the longer you keep a reverse mortgage, the lower the total annual loan cost rate will be.

This table shows the estimated cost of your reverse mortgage loan, expressed as an annual rate. It illustrates the cost for four loan terms: 2 years, half of life expectancy for someone your age, that life expectancy, and 1.4 times that life expectancy. The table also shows the cost of the loan, assuming the value of your home appreciates at three different rates: 0%, 4% and 8%.

The total annual cost rates in this table are based on the total charges associated with this loan. These charges typically include principal, interest, closing costs, mortgage insurance premiums, annuity costs and servicing costs (but not disposition costs--costs when you sell the home).

The rates in this table are estimates. Your actual cost may differ if, for example, the amount of your loan advances varies or the interest rate on your mortgage changes. You may receive projections of loan balances from counselors or lenders that are based on an expected average mortgage rate that differs from the initial interest rate.

**SIGNING AN APPLICATION OR RECEIVING THESE DISCLOSURES DOES NOT REQUIRE YOU TO COMPLETE THIS LOAN**

## Amortization Schedule - Annual Projections

Borrower Name/Case Number:

Refinance: **No**

Age of Youngest Borrower: **66**  
 Interest Rate (Expected / Initial): **5.750% / 3.195%**  
 Maximum Claim Amount: **\$625,500.00**  
 Initial Principal Limit: **\$342,774.00**  
 Initial Advance: **\$276,857.92**  
 Lien Payoffs with Reverse Mortgage: **\$45,000.00**  
 Financed Closing Costs: **\$20,916.08**

Initial Property Value: **\$725,000.00**  
 Beg. Mortgage Balance: **\$342,774.00**  
 Expected Appreciation: **4.000%**  
 Initial Line Of Credit: **\$0.00**  
 Monthly Payment: **\$0.00**  
 Monthly Servicing Fee: **\$0.00**  
 Mortgage Insurance (MIP) **1.25%**

NOTE: Actual interest charges and property value projections may vary from amounts shown. Available credit will be less than projected if funds withdrawn from line-of-credit.

Annual Totals							End of Year Projections			
Yr	Age	SVC Fee	Cash Payment	MIP	Rate	Interest	Loan Balance	Line Of Credit	Property Value	Equity
1	66	\$0	\$0	\$4,373	3.195%	\$11,178	\$358,325	\$0	\$754,000	\$395,325
2	67	\$0	\$0	\$4,571	3.195%	\$11,685	\$374,581	\$0	\$784,160	\$409,229
3	68	\$0	\$0	\$4,779	3.195%	\$12,215	\$391,574	\$0	\$815,526	\$423,602
4	69	\$0	\$0	\$4,996	3.195%	\$12,769	\$409,339	\$0	\$848,147	\$438,459
5	70	\$0	\$0	\$5,222	3.195%	\$13,348	\$427,909	\$0	\$882,073	\$453,814
6	71	\$0	\$0	\$5,459	3.195%	\$13,954	\$447,322	\$0	\$917,356	\$469,684
7	72	\$0	\$0	\$5,707	3.195%	\$14,587	\$467,616	\$0	\$954,051	\$486,085
8	73	\$0	\$0	\$5,966	3.195%	\$15,248	\$488,830	\$0	\$992,213	\$503,033
9	74	\$0	\$0	\$6,236	3.195%	\$15,940	\$511,006	\$0	\$1,031,901	\$520,545
10	75	\$0	\$0	\$6,519	3.195%	\$16,663	\$534,189	\$0	\$1,073,177	\$538,638
11	76	\$0	\$0	\$6,815	3.195%	\$17,419	\$558,424	\$0	\$1,116,104	\$557,330
12	77	\$0	\$0	\$7,124	3.195%	\$18,210	\$583,758	\$0	\$1,160,748	\$576,641
13	78	\$0	\$0	\$7,447	3.195%	\$19,036	\$610,241	\$0	\$1,207,178	\$596,587
14	79	\$0	\$0	\$7,785	3.195%	\$19,899	\$637,926	\$0	\$1,255,465	\$617,190
15	80	\$0	\$0	\$8,139	3.195%	\$20,802	\$666,866	\$0	\$1,305,684	\$638,468
16	81	\$0	\$0	\$8,508	3.195%	\$21,746	\$697,120	\$0	\$1,357,911	\$660,442
17	82	\$0	\$0	\$8,894	3.195%	\$22,732	\$728,746	\$0	\$1,412,228	\$683,132
18	83	\$0	\$0	\$9,297	3.195%	\$23,764	\$761,807	\$0	\$1,468,717	\$706,560
19	84	\$0	\$0	\$9,719	3.195%	\$24,842	\$796,368	\$0	\$1,527,466	\$730,748
20	85	\$0	\$0	\$10,160	3.195%	\$25,969	\$832,496	\$0	\$1,588,564	\$755,718
21	86	\$0	\$0	\$10,621	3.195%	\$27,147	\$870,264	\$0	\$1,652,107	\$781,493
22	87	\$0	\$0	\$11,103	3.195%	\$28,378	\$909,745	\$0	\$1,718,191	\$808,096
23	88	\$0	\$0	\$11,606	3.195%	\$29,666	\$951,018	\$0	\$1,786,919	\$835,551
24	89	\$0	\$0	\$12,133	3.195%	\$31,012	\$994,162	\$0	\$1,858,396	\$863,883
26	91	\$0	\$0	\$13,259	3.195%	\$33,889	\$1,086,412	\$0	\$2,010,041	\$923,278
28	93	\$0	\$0	\$14,489	3.195%	\$37,034	\$1,187,223	\$0	\$2,174,060	\$986,487
30	95	\$0	\$0	\$15,834	3.195%	\$40,471	\$1,297,387	\$0	\$2,351,463	\$1,053,726
32	97	\$0	\$0	\$17,303	3.195%	\$44,226	\$1,417,774	\$0	\$2,543,343	\$1,125,218
34	99	\$0	\$0	\$18,908	3.195%	\$48,330	\$1,549,332	\$0	\$2,750,879	\$1,201,197

# Reverse Mortgage Comparison

Estimates For:

From:

Closing Date:

Rates and Fees	HECM monthly	HECM Libor 275	HECM Saver Fix
Index	1MoLibor	1MoLibor	N/A
Margin	3.000%	2.750%	N/A
Initial Interest Rate	3.195%	2.945%	5.060%
Expected Interest Rate	5.750%	5.500%	5.060%
Mortgage Insurance Rate	1.25%	1.25%	1.25%
Cap on Interest Rate	13.195%	12.945%	5.060%
Monthly Servicing Fee	\$0.00	\$0.00	\$0.00
Initial Credit Line Growth Rate	4.445%	4.195%	N/A
Calculation			
Home Value	\$725,000.00	\$725,000.00	\$725,000.00
Maximum Claim Amount	\$625,500.00	\$625,500.00	\$625,500.00
Principal Limit	\$342,774.00	\$359,662.50	\$335,268.00
- Servicing Set-Aside	\$0.00	\$0.00	\$0.00
Available Principal Limit	\$342,774.00	\$359,662.50	\$335,268.00
- Mortgage Insurance Premium	\$12,510.00	\$12,510.00	\$62.55
- Origination Fee	\$6,000.00	\$6,000.00	\$6,000.00
- Other Costs	\$2,406.08	\$2,406.08	\$2,406.08
Max. Cash Available	\$321,857.92	\$338,746.42	\$326,799.37
- Liens and Mortgages	\$45,000.00	\$45,000.00	\$45,000.00
- Repair Set-Aside	\$0.00	\$0.00	\$0.00
- Tax & Insurance Set-Aside	\$0.00	\$0.00	\$0.00
Available Funds			
Available Funds	\$276,857.92	\$293,746.42	\$281,799.37
Or Available Monthly Tenure	\$1,770.65	\$1,828.51	\$0.00
Requested Payments			
Cash Request	\$276,857.92	\$293,746.42	\$281,799.37
Monthly Income Request	\$0.00	\$0.00	N/A
LOC Request	\$0.00	\$0.00	N/A

The above numbers are calculated based upon the specified interest rates and the estimated closing date noted above. Changes in interest rates and /or changes in actual closing dates may cause the amounts available to be higher or lower than stated.



# Estimate of Closing Costs Worksheet

Date: Estimated Home Value: **\$725,000.00**

Prepared For:

Property Address:

This is not a Good Faith Estimate or a Truth-in-Lending Disclosure Statement required by federal law. If you make an application with us, your Good Faith Estimate and Truth-in-Lending Disclosure Statement will be provided to you in the opening package. This is not a commitment to lend, nor is it a rate lock, pre-qualification or pre-approval. This worksheet is intended to assist you in evaluating a loan or home purchase using estimated closing and property costs. Closing and settlement costs, reserve deposits, interest rate and Annual Percentage Rate (APR) are subject to change and the estimates shown below may be more or less depending on factors such as down payment, property type, and occupancy. Housing costs will vary depending on location, homeowner's association dues, local and state fees, taxes, and hazard and mortgage insurance. Charges from third parties, which may include Lender's affiliates, will be passed through at the actual cost charged by the third party. You may wish to complete these estimated charges in considering the total cost of your mortgage.

Estimated Closing Costs		
Finance Charges	POC Amount	Estimated Amount
Document preparation		\$125.00
Flood certification		\$18.00
HECM counseling fee		\$125.00
Mortgage Insurance Premium		\$12,510.00
Origination Fee		\$6,000.00
Settlement or closing fee		\$550.00
Other Charges		
Appraisal fee	\$350.00	
Credit report		\$13.08
Lender's title insurance		\$1,375.00
Recording charges mortgage		\$200.00
	\$350.00	\$20,916.08
Total Estimated Settlement Costs		\$21,266.08





## **Preparing for Your Counseling Session**

The decision to get a reverse mortgage is an important one. The Department of Housing and Urban Development (HUD) and the Federal Housing Administration (FHA) want to ensure you are able to make an informed decision and that you are able to choose a course of action that will meet your needs. For this reason, housing counseling for HUD's Home Equity Conversion Mortgage (HECM) is required. The purpose of this overview is to provide introductory information on counseling and the HECM program, to help you prepare for your counseling session. After your counseling session, you will have a better understanding of the features of a reverse mortgage; the impact a reverse mortgage will have on your particular circumstances; and whether services or programs other than a reverse mortgage might better meet your needs.

## **What You Can Expect from Your Reverse Mortgage Counselor**

Understanding what to expect from reverse mortgage counselors is an important first step in setting your expectations for your counseling session. Remember, only you can decide if a reverse mortgage is right for your situation. The counselor provides information to assist you in making that decision.

- The counselor is responsible for helping you understand reverse mortgages and the appropriateness of a reverse mortgage to meet your particular need as well as alternatives to a reverse mortgage.
- Reverse mortgage counselors will discuss your financial and other needs for remaining in your home, the features of a reverse mortgage and how it works, your responsibilities with a reverse mortgage, the impact of a reverse mortgage on you and your heirs, and the availability of other assistance you may need.
- The job of the counselor is not to "steer" or direct you towards a specific solution, a specific product, or a specific lender.
- Counselors will help you understand your options and their impacts.

Reverse mortgage counselors are required to follow specific practices, which are designed to ensure you receive quality counseling services and are protected against fraud and abuse. HUD requires that HECM counselors do the following:

- Send you required materials ( i.e., this packet) prior to your counseling session
- Follow established protocols when conducting the counseling session
- Follow-up with you after the session has concluded.

## What You Can Expect from the Reverse Mortgage Counseling Process

**Step 1 - Schedule an appointment.** The counseling process begins when you schedule your appointment for a counseling session. You must schedule an appointment directly with the counseling agency. Your lender cannot initiate or participate in the counseling session. This session is conducted in person or over the telephone; however, HUD advises that, if possible, you meet with your counselor face-to-face to gain greater benefit from your session.

**Step 2 - Counselor will contact you and send information.** Once you have set up an appointment, the agency sends you a packet of information so that you can prepare for your session. Before you begin, you should also know that some agencies charge a fee for counseling; if you cannot afford to pay this fee you should discuss your inability to pay with the agency at the outset of your session to understand your options.

**Step 3 - The counselor will collect from you:** Your name, contact and other key information, including your interest in obtaining a reverse mortgage, for the counseling session.

**Step 4 - Counseling session:** The counselor will discuss with you your needs and circumstances; provide information about reverse mortgages and other alternative types and sources of assistance that might be available to you.

**Step 5 - Certificate of Completion:** Once you complete your session and you and your counselor are comfortable that you understand the essentials of a reverse mortgage, the counselor will issue a certificate, which verifies for a lender that you have successfully completed counseling.

**Step 6 - Follow-up:** Your counselors will follow-up with you to learn if you need further assistance and to understand the outcome of your counseling session. You may also call your counselor to seek further assistance after your session.

## How a Reverse Mortgage Works

Before you begin your counseling session, it is helpful if you understand a few basics about a reverse mortgage.

Reverse mortgages enable homeowners age 62 or older to convert their home's equity into available cash - a lender advances you money (the loan) based upon the equity in your home. The amount of money you are eligible to receive generally depends upon the amount of equity in your home and your age at the time you get the loan.

With a reverse mortgage, you remain the owner of your home. As with any home, you must continue to pay property taxes and homeowner's insurance. You are also responsible for maintaining your home in good condition.

You will not have to repay your loan balance for as long as you live in your home. You must repay a HECM loan in full when the last surviving borrower dies or sells the home. You can choose to pay off the loan through the sale of the property or prepayment of the loan at any time without penalty. Your estate may retain ownership of the property and must pay off the loan in full or the property can be sold to an unrelated party for the lesser of the unpaid mortgage balance or 95% of appraised value.

## Types of Reverse Mortgages

There are three types of reverse mortgages shown in the chart below.

<i>Single purpose</i> reverse mortgage	Typically offered by state and local government agencies to be used in only one specific way, for example, home repairs
<i>Proprietary</i> reverse mortgage	Can be used for any purpose and may be suitable for borrowers with high cost homes
<i>Home Equity Conversion Mortgage (HECM)</i>	Can be used for any purpose and is <b>insured by the Federal government.</b>

## Payment Plan Options

There are several types of HECM loan plans available, including monthly and annually adjusting interest rate loans as well as fixed interest rate loans. Borrowers can decide to take a line of credit with flexible draw down options, a term loan with fixed monthly payments for a specified number of years, or a tenure plan with guaranteed payments for life or a combination of these options.

## Choosing a Reverse Mortgage to Meet your Needs

HECM payment plans are flexible. The best payment plan for you will depend on your current and future financial needs and circumstances. For example:

*If you have a small balance on your existing mortgage and would like to pay it off with the reverse mortgage, a line of credit plan would allow you to draw all the funds at loan closing and pay off the current mortgage.*

*If you need a set amount of money every month to supplement your income to help meet monthly expenses, then a tenure or term payment plan might be a suitable option for you.*

*If you know you will have some large health care expenses in the near future and want to have the funds available when needed, a line of credit may also meet your needs.*

Your reverse mortgage counselor will discuss your goals for a reverse mortgage with you and will explain the different options available to help meet your needs.

## Costs to Obtain HECM

Costs associated with HECMs are generally higher than those for “forward” mortgages used to purchase a home. Although, the cost categories are the same as you would see for a traditional “forward” mortgage. These costs include lender fees to originate the mortgage, servicing fees for ongoing administration of the loan and interest on the money you use from the loan. There are also closing costs, which include all the usual and customary expenses associated with obtaining a mortgage, for example, the appraisal, title searches and insurance. HECMs also include a fee for FHA mortgage insurance.

## **Impact on Tax/Social Service Benefits**

Reverse mortgage loan advances are not taxable and do not affect Social Security or Medicare benefits. However, you must be careful that any loan proceeds you retain do not exceed the monthly liquid resource limits for Supplemental Security Income (SSI) and Medicaid, which may be impacted by your HECM payments.

## **Alternatives to a Reverse Mortgage**

Your HECM counselor will also help you consider options available to meet your needs other than a reverse mortgage. These options include:

- selling your home and moving to a more suitable residence
- renting as well as other financial options
- support services and public benefits that may be available to you in your community.

HUD encourages you to learn as much as possible about your options, before you decide on a reverse mortgage. Listed below are resources you can access to learn more about reverse mortgages and elder care.

AARP's web site at [www.aarp.org/money/revmort](http://www.aarp.org/money/revmort) <<http://www.aarp.org/money/revmort>> provides more information on reverse mortgages and calculators that will provide general estimates of the amount of money you might receive from a reverse mortgage. You may also contact AARP at 1-800-424-3410.

The National Reverse Mortgage Lenders Association provides consumer information at [www.reversemortgage.org/default.aspx](http://www.reversemortgage.org/default.aspx) <<http://www.reversemortgage.org/default.aspx>> and can also be reached by calling 1-866-264-4466.



# CounselingDocs.org

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## Counseling Access Code

### **Government Mandated**

The government mandates that every person who wants to get a reverse mortgage has to participate in a counseling session with an independent, specially trained counselor for reverse mortgages.

We will not process a reverse mortgage unless the customer can prove having participated in a counseling session with a specialized and government approved reverse mortgage counselor.

We want the counseling session to be an informational and beneficial experience for you and have attached a list of government approved reverse mortgage counselors.

### **Documents**

We have contracted with the website, CounselingDocs.org, to allow your counselor to access and discuss the following loan-specific documents with you:

- Amortization Schedule
- Total Annual Loan Cost
- Comparison

## Important

Please tell your counselor to access your loan documents at:

**[www.CounselingDocs.org](http://www.CounselingDocs.org)**

Access Code: