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Quality of Life



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The Current State of the Home Equity Conversion Mortgage (HECM) Program

“Reverse (Back?) to the Future!”

Core Program Parameters

- Youngest borrower must be 62 years old.
- Property must be the primary residence
- Homeowner must pay taxes and insurance
- Property must be maintained in average or above condition
- At least one of the borrowers must continue to live in the property as their primary residence



Core Program Parameters

- Property must be either a SFR, 1-4 unit multi-family, approved condo, approved modular home-built after 1976.
 - Property CANNOT be a mobile home or commercial property
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- Credit, income & assets are now considered.
 - There are no monthly payments required.
 - Borrowers/spouses/owners/POAs must be counseled by a HUD approved 3rd party agency.



Core Program Parameters

- The property title CAN be held in a Life Estate, a Revocable Trust, or an Irrevocable Trust.
- There are five ways to take the equity:
 - Full Draw (Lump Sum)
 - Lifetime Annuity (Tenure) or Modified Tenure
 - Term or Modified Term
 - Line of Credit
 - A combination of the above



Mortgage Insurance

Mortgage Insurance Protects the Lender AND the Borrower

- The **Lender** is guaranteed to receive 100% of their Interest and Principal upon loan termination, regardless of the home value.
- The **Borrower** will not owe more than the value of their home (non-recourse, limited liability).*
- An upfront mortgage insurance premium is charged.
- A .5% MI premium accrues on the outstanding balance.

* With the exception of defaults.

End of Loan

- The loan must be paid when the last of the borrowers no longer occupies the property for 12 consecutive months.
- Borrower can sell the house at anytime (No Prepayment Penalty).
- Borrower can request a deed in lieu of foreclosure if the property has negative equity.
- The Estate can also pay off the loan, sell the property or turn over the keys, and must do either within 12 months (6/3/3) of the Borrower's departure.

Common Reasons For HECM

- Supplement Social Security income
- Eliminate current mortgage or home equity payment(s) to free up fixed income cash
- Pay property taxes
- **Stop foreclosure (mortgage or tax)!**
- Make home repairs
- Obtain home healthcare

Other Reasons For HECM

- To avoid **untimely** redemption of investments
- To purchase a second home
- To assist other family members who are facing financial hardship
- For use as a business credit line
- Medical purposes

HECM for Purchase

#1 Reason for the Use of this Product:

“For Parents to Downsize and Move Closer to their Children!”



Home Purchase Transaction

EXAMPLE: Jim and Sally Hudson want to sell their present home and purchase one closer to their daughter in another city. They are both 75 years of age.

Cash After Sale	\$400,000
Cost of New Home	\$300,000
Loan Proceeds from Reverse Mortgage	\$149,400
Cash Needed to Close	\$161,549
Cash Remaining After Purchase	\$238,451

Fixed Rate of 5.06%. APR 6.26 % as of October 24, 2017. Rates subject to change without notice.

JUMBO Loan

- You must be 62 or older
- There are distinct advantages to jumbo Reverse Mortgages and HECM's hold for homeowners of high valued properties.
- Primary residence
- Fixed Rate
- Insured by the lenders
- Including warrantable condominiums
- There will be no mortgage insurance premium



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Serving the San Francisco Bay Area



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