



Using Home Equity as a Retirement Asset:

Reverse Mortgage Basics



Thank you for exploring your reverse mortgage options with A Good Lender. We've created this introductory guide to help get you started on learning more about this versatile retirement financing tool.

For expert guidance that's tailored to your individual needs and concerns, we encourage you to talk to your A Good Lender Rodney Roloff, Owner/Broker. He or she will answer all your questions, give you detailed calculations, and help you make well-informed decisions that are in your best interests.

Why should I consider a reverse mortgage?

Your retirement funds may come from savings, investment income, and Social Security. But now, there's another source that may help you complete the longevity planning puzzle.



Reverse mortgages are becoming increasingly recognized by homeowners and financial advisors as a smart and safe way to access an important retirement asset: home equity.

Most reverse mortgages are government-insured Home Equity Conversion Mortgages (HECMs). You will often hear the terms used interchangeably. Available exclusively to people age 62 and older, a reverse mortgage could help you live more comfortably and be more financially prepared for the future.

For example, you can use a reverse mortgage to »

- Avoid selling investments at a loss in a “down” market
- Establish a “stand-by” line of credit that you can tap as needed. Unlike a traditional Home Equity Line of Credit (HELOC), a reverse mortgage line of credit cannot be reduced or revoked, as long as the terms of the loan are met. And the unused line of credit grows over time.
- Supplement retirement income with tax-free* funds
- Pay for medical or long-term care costs
- Finance the purchase of a more suitable home, with no monthly mortgage payments**

Among the benefits of a reverse mortgage:

- **The ability to use your home equity to help you maintain a more comfortable standard of living, in your own home.**
- **Tax-free*** loan proceeds you can use in multiple ways.
- **Great flexibility.** You can choose to take your proceeds as a line of credit; monthly advances for a set period of time; a monthly stream of funds for as long as you live in your home; a lump sum; or a combination of these options.
- **No monthly mortgage payments**.** If you qualify and have an existing mortgage, home equity loan or any other type of debt, you can pay it off and reduce your monthly expenses.* Or, if you own your home free-and-clear, you can get the additional funds you need with no monthly mortgage payments. (As the homeowner, you remain responsible for paying property taxes, homeowners insurance, and homeowner's association dues if applicable.)**

* Not tax advice. Consult a tax professional.

** The borrower must meet all loan obligations, including living in the property as the principal residence and paying property charges, including property taxes, fees, hazard insurance. The borrower must maintain the home. If the homeowner does not meet these loan obligations, then the loan will need to be repaid.

+ Your reverse mortgage proceeds will first be used to pay off any existing mortgage balance(s) and/or federal debt.



Am I eligible?



To be eligible for a reverse mortgage, you must:

- Be at least 62 years old
- Live in the home as your primary residence
- Have sufficient home equity. Contact your A Good Lender Rodney Roloff, Owner/Broker to find out if you have enough home equity to qualify.
- Not be delinquent on any federal debt
- Participate in a consumer information session held by an independent counselor who's approved by the U.S. Department of Housing and Urban Development (HUD)

Also, your home must:

- Meet FHA (Federal Housing Administration) property standards and flood requirements
- Be one of the following property types:
 - » Single-family home
 - » Two- to four-unit home with one unit occupied by the borrower
 - » FHA-approved condominium
 - » HUD-approved manufactured homes that meet FHA requirements.

How much money can I get?

This depends upon a number of factors, including the age of the youngest borrower, your home's current appraised market value, the amount of equity, FHA lending limits, the current interest rate, and the reverse mortgage product and payment option you choose. If you have an existing mortgage, your reverse mortgage will first be used to pay that off. Your A Good Lender Rodney Roloff, Owner/Broker can provide you with a quote that's tailored to your specific situation, with no cost or obligation.



Using Your Proceeds

The following chart shows some common uses for a reverse mortgage, and how you might wish to take your proceeds, depending on how you plan to use them. Talk to your A Good Lender Rodney Roloff, Owner/Broker to help determine the best course of action for you.

I would like to...	Line of Credit	Monthly advances for a set period	Monthly advances for as long as you live in your home	Lump Sum
		Term	Tenure	
Establish a "standby" cash reserve that will be there when I need it				
Supplement my monthly income with a steady stream of funds				
Make home modifications or repairs				
Pay off my existing mortgage or other debts, to reduce monthly expenses				
Buy a home that better fits my lifestyle				

Additional Consumer Safeguards



Recent consumer safety protections offer borrowers even more peace of mind.

New HUD Rules Help Ensure the Financial Health of the Reverse Mortgage Program*

Now structured with the borrower in mind, the HECM (Home Equity Conversion Mortgage) loan is designed to help borrowers, age 62 and older, convert some of their home equity into cash — so they can live more comfortably and with greater financial independence. Built into this financial tool are important, recent safeguards for additional security:

- **Tightened lending limit helps borrowers preserve revenue stream for better, long-term money management;**
- **The annual mortgage insurance premiums borrowers are required to pay over the course of their loans will drop from 1.25% to 0.5%.**
- **The initial MIP required will increase to 2% for all borrowers. However, this represents a reduction for borrowers who take out larger reverse mortgages and currently pay a 2.5 percent upfront premium.**

Additional Previous Changes for Borrower Security:

- **Updated non-borrowing spouse protections;**
- **Financial Assessment helps determine if borrowers are willing and able to meet financial obligations;**
- **LESA – Life expectancy set asides use HECM proceeds to pay taxes and insurance.**

* Frank, David, "New Reverse Mortgage Rules Could Mean Less Cash," AARP, Money, Managing Debt; 8/30/17.

How is a reverse mortgage different than a traditional Home Equity Line of Credit (HELOC)?

A reverse mortgage line of credit offers several distinct advantages over a HELOC:

- **Greater flexibility in repayment**—no monthly mortgage payments* are required
- **As long as the terms of the loan are met,* a reverse mortgage line of credit cannot be frozen, reduced or revoked by the lender**
- **The unused line of credit grows over time**—giving you more available funds

What are the costs associated with a reverse mortgage?

In addition to interest, the costs include a title fee, credit report fee, property appraisal fee, origination fee, closing costs, mortgage insurance premium, servicing fee and a modest charge for independent counseling. While closing costs vary based upon the type and size of the loan, they're similar to those for any traditional mortgage. You can roll most of the up-front costs into the loan, so out-of-pocket expense can be minimized. And you can reduce your costs by taking a lower amount of proceeds that are available to you. We will give you a detailed cost breakdown, and explain the different interest and pricing options that you can choose from.

How and when does a reverse mortgage need to be repaid?

As long as the terms of the loan are met,* a reverse mortgage does not have to be repaid until the home is sold or is no longer the primary residence of at least one borrower (or a non-borrowing spouse who meets certain requirements).

You won't need to repay more than the home is worth at the time of sale. If the borrower has passed away when the loan balance comes due, the heirs or estate may repay the debt by selling the home. It is important to note that when the property is sold, the borrower's heirs will not have to repay more than the home is worth at the time of sale. Federally-insured HECMs come with this very important feature. However, if the borrower's heirs would like to keep the home once the borrower passes away, they can choose to pay off the full loan balance using other funds and keep the home.

*The borrower must meet all loan obligations, including living in the property as the principal residence and paying property charges, including property taxes, fees, hazard insurance. The borrower must maintain the home. If the homeowner does not meet these loan obligations, then the loan will need to be repaid.

Choose from our other specialized reverse mortgage products that **best suit your lifestyle.**

Proprietary jumbo HomeSafe® reverse mortgage.



The home financing tool for people who want to retire as well as they've lived.

HomeSafe was designed specifically for owners of high-value homes. If you're 62 or older, now you can access even more of your home's equity and put it to work wherever you want—giving you more control over your assets, investments and cash flow.

- **Loan amounts of up to \$4 million** – significantly higher than a HECM allows
- **No mortgage insurance premium**
- **No initial disbursement limitation** – you take the full amount of your funds at closing
- **Condominiums appraised at \$500,000 or more** do not require FHA approval

HECM for Purchase

A reverse mortgage can even help you buy a home that better suits your lifestyle.

Instead of paying all cash or taking out a traditional mortgage, you can finance part of the purchase price using a reverse mortgage—so there are no monthly mortgage payments.* This can help you to:

- **Spend less money out of pocket.** Preserve more of your savings, instead of spending it on your home.
- **Get more home for your money.** A HECM for Purchase reverse mortgage could help you to more comfortably afford upgrades, or a more expensive home.
- **"Right-size" your home,** relocate to a more suitable neighborhood, or move closer to family.



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“Rightsizing” Affordability: HECM for Purchase

Approximate Down-Payment Required by Borrower

A 62-year-old borrower wants to purchase a \$250,000 home in Texas. Using the HECM for Purchase, the borrower needs to provide \$157,750 of his or her own funds for the down payment. The HECM for Purchase reverse mortgage will finance the rest of the proceeds toward the purchase price.

Home Purchase Price	Approximate Down Payment Required by the Borrower				
	AGE 62	AGE 65	AGE 70	AGE 75	AGE 80
\$250,000	\$152,750	\$147,750	\$139,250	\$132,750	\$122,750
\$450,000	\$273,500	\$264,000	\$248,700	\$237,000	\$219,100
\$636,150	\$375,000	\$366,650	\$345,400	\$266,650	\$302,750

Illustration is for educational purposes only, assumes a borrower who resides in Texas, with a fixed interest rate of 4.50% (6.876% APR) and financed fees of approximately 5% of the home purchase price. Rate quote generated 11/03/2017. Rates are rounded to the nearest \$50 and subject to change.

*The borrower must meet all loan obligations, including living in the property as the principal residence and paying property charges, including property taxes, fees, hazard insurance. The borrower must maintain the home. If the homeowner does not meet these loan obligations, then the loan will need to be repaid.



The loan process

We'll assist you each step of the way.

As you explore your reverse mortgage options with A Good Lender, a licensed Rodney Roloff, Owner/Broker will serve as your guide through the entire loan process. Here's a basic overview of what you can expect. To learn more, contact us today.

1 Education

Your A Good Lender Rodney Roloff, Owner/Broker will help you determine if a reverse mortgage is the right solution for you — and if so, which type best fits your needs and goals. To help you make an informed decision, we'll answer all your questions, assess your individual needs and financial situation, thoroughly explain everything, and prepare you for your independent counseling session. We encourage you to include your family members and trusted advisor(s) in your decision-making process.

2 Independent Counseling

To ensure that you understand all aspects of a reverse mortgage, you're required to have a session with an independent counselor who's approved by the U.S. Department of Housing and Urban Development (HUD). It usually takes about 60 to 90 minutes, and can be done in-person or over the phone. (Some states require face-to-face counseling.)

3 Application

Your Rodney Roloff, Owner/Broker will help you complete the application and collect your documentation. He or she will let you know exactly which documents you'll need to provide.

4 Property Appraisal, Loan Processing and Approval

Your Rodney Roloff, Owner/Broker will submit the paperwork and we'll process your application. We'll order a home appraisal, which determines the exact value of your home. We'll also order title work and existing mortgage payoff amounts. An underwriter will then review your application for approval.

5 Closing

Once the loan is approved and final documents are ready for your signature, we'll contact you to schedule your loan closing, which can take place at your home. Any existing mortgage(s) will be paid off with a portion of the proceeds from your reverse mortgage. After the closing and any applicable rescission period, the loan will fund and you'll receive your money.

What researchers and the media are saying about reverse mortgages



Forbes/Personal Finance

A reverse mortgage can be a good backup strategy for homeowners who are concerned about potentially outliving their other income sources. A more flexible and potentially more

lucrative approach is to obtain a reverse mortgage line of credit. It will continue to grow each year, providing access to an ever-increasing line of credit in later years as the credit line remains in place but unused.

—Mark Dennis, Contributor, “You May Have More Retirement Income Available Than You Thought,” March 26, 2017

Kiplinger/Personal Finance

Reverse Mortgages that Work: One versatile solution for financial flexibility and security is a reverse mortgage. It lets you stay put, ditch your mortgage payment (if you still have one) and tap your home equity.

—Pat Mertz Esswein, Associate Editor, “Reverse Mortgages That Work,” October 2017

Washington Post/Real Estate

On HECM for Purchase: In addition to netting cash from the sale of the original home, the H4P borrower doesn’t have to worry about making mortgage payments for as long as they remain in the home. You can use the money you save for whatever you want.

—Benny L. Kass, Columnist, “Seniors looking to downsize their homes may want to consider this reverse mortgage option,” May 19, 2017

Reader’s Digest/ MoneyTips.com

“If you own your home and none of your children have an interest in keeping it, then a reverse mortgage might be worth investigating, as it could provide you with an additional source of retirement income and monthly cash flow.”

—Mike Zaino, Financial Advisor/
Contributor, “16 Money-Management
Tips Every Retiree Needs to Memorize,”
Accessed September 24, 2017

The Motley Fool/ Personal Finance

A reverse mortgage may be a good option for homeowners who want to use their home’s equity but don’t want to move. Homeowners can use a reverse mortgage to access equity as a lump sum, a line of credit, lifetime payments, or a stream of payments for period of time.

—Mary Crawley, “4 Ways to Catch Up on Retirement Savings,” September 22, 2017



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This material is not from HUD or FHA and has not been approved by HUD or any government agency.

FHA insures fixed interest rate Home Equity Conversion Mortgages (HECMs), as well as annual and monthly adjustable interest rate HECMs. Fixed interest rate mortgages are limited to the Single Disbursement Lump Sum payment option where there is a single, full draw at loan closing and the mortgage does not provide for future draws by the mortgagor under any circumstances. Adjustable interest rate mortgages provide for five, flexible payment options and allow for future draws. The disbursement of mortgage proceeds during the first 12-month disbursement period is subject to an initial disbursement limit as determined by requirements set by the Secretary.

HomeSafe® reverse mortgage is a proprietary product of Finance of America Reverse LLC (FAR), and is not affiliated with the Home Equity Conversion Mortgage (HECM) program.

HomeSafe® is currently available in AZ, CA, CO, CT, DC, FL, HI, ID, IL, LA, NJ, NV, OR, PA, RI, SC, TX, VA, and WA.