

YOUR GUIDE TO REVERSE MORTGAGES



ABOUT REVERSE MORTGAGES

As a senior, age 62 or older, a reverse mortgage enables you to tap into the equity of your home and benefit financially today! The funds you receive can be used to eliminate your monthly mortgage payment, pay off debt, increase your monthly cash flow, or any other way you see fit.

With a reverse mortgage, you retain ownership of your home for as long as you own it. In fact, just like a homeowner, you are still responsible for taxes, insurance, upkeep and HOA dues.

Homeowners have often used a Home Equity Conversion Mortgage (HECM) loan - commonly known as a reverse mortgage - to pay off their mortgage and improve their overall monthly cash flow. But over the years, the use of reverse mortgages has shifted because:

- » People are living longer
- » Many seniors don't have a pension like in previous generations
- » Medical care is becoming more expensive

HOMEOWNERS
HAVE ONE OF
THEIR LARGEST
ASSETS HIDING
IN PLAIN SIGHT
- HOME EQUITY.
IT'S A SMART WAY
TO EXTEND THE
LIFE OF YOUR
RETIREMENT
PORTFOLIO.





TABLE OF CONTENTS

- 03 **REVERSE MORTGAGE
QUICK OVERVIEW**
- 06 **ELIGIBILITY**
- 10 **QUALIFYING FOR A
REVERSE MORTGAGE**
- 12 **COSTS**
- 14 **KNOW THE FACTS**
- 17 **WHY YOU SHOULD CONSIDER
A REVERSE MORTGAGE**
- 21 **REFERENCES**

REVERSE MORTGAGE QUICK OVERVIEW



1

Unlike a traditional mortgage, the reverse mortgage loan is based on the youngest borrower's age, the home value and the interest rate.

2

Credit scores and monthly income are not as important in a reverse mortgage as they are on a traditional mortgage. The rules have changed recently, while you do have to qualify for a reverse mortgage, it is generally much easier than a traditional mortgage.

3

No monthly mortgage payments need to be paid - the loan only becomes due when the borrower sells the home or passes away. The homeowner is responsible for property taxes, homeowner's insurance and HOA dues.

HOW DO I KNOW IF A REVERSE MORTGAGE IS RIGHT FOR ME?

If you are 62 years of age or older, could use a cash infusion and have a large amount of equity in your home, a reverse mortgage may be just the financial tool you have been looking for. Essentially, your mortgage now pays you (instead of vice versa) and you can remain in your home for as long as you want!

WHAT CAN THE FUNDS GENERATED FROM A REVERSE MORTGAGE BE USED FOR?

Seniors have many reasons for obtaining a reverse mortgage including to pay off debts, increase monthly cash flow and cover rising medical costs. But, what's important to remember is that the funds are yours to use however you see fit.

MY ADULT CHILDREN WOULD LIKE TO BE INVOLVED, IS THAT OK?

Yes, in fact all family members are encouraged to meet with our Reverse Mortgage Specialist to ensure that everyone has all of their questions answered. Because this is a unique financial tool, we understand that there are going to be lots of questions and, in fact, we look forward to answering each and every one of them!



APPLYING FOR
A REVERSE
MORTGAGE...

WHERE TO START?

If you are ready to move forward, your best place to start is with our Reverse Mortgage Specialist. As with any mortgage, there are required documents that you must provide in order to complete the application:

1. Two months of bank statements including both checking and savings, 401k, pension, etc.
2. The latest statement from your current mortgage holder, if you have a mortgage currently on your home
3. Receipt from your last property tax payment
4. Certificate from your completed Reverse Mortgage Counseling class
5. Copy of both your social security card and either driver's license or state issued ID card
6. If applicable, copy of death certificate for spouse
7. Most current copy of your homeowner's insurance policy showing the insurance agent name and phone number
8. Social security awards letter

Throughout the mortgage process, you may be asked to submit additional documentation. Your Reverse Mortgage Specialist will make sure that you have a thorough understanding of what you need to provide, why you need to provide it, and that all your questions are answered.

You may see on the list above that a certificate is required from your Reverse Mortgage Counseling class. This class is required in order to ensure that the borrowers, who are sometimes on fixed incomes, have all the information they need to make the best decision for their individual situation. The counseling session generally takes 90 minutes, but may take longer as needed.





HOW WILL YOU
DETERMINE IF
I AM ELIGIBLE
FOR A REVERSE
MORTGAGE?



AT THE VERY LEAST:

In order to be eligible for a reverse mortgage, you must be 62 years of age or older and have sufficient home equity in your home. Determining whether or not there is sufficient equity in the home is an FHA calculation that takes into account:

- Lending limits established by the FHA
- The appraised value of your home
- Age of the youngest homeowner

WHAT ABOUT IF I HAVE A CURRENT MORTGAGE ON MY HOUSE?

If you currently have a mortgage on your home, you are still eligible. In fact, many people who take out a reverse mortgage use the funds to pay off an existing mortgage therefore eliminating the need to make a monthly mortgage payment.

WHAT HAPPENS IF I DON'T HAVE ENOUGH EQUITY IN MY HOME?

When you don't have enough equity in your home to qualify for a reverse mortgage it is called a shortfall. A shortfall doesn't necessarily disqualify the borrower. You can make up the difference by applying money towards the balance on your existing mortgage in order to pay it down.

IS THERE A LIMIT TO HOW MUCH I CAN BORROW?

The amount you can borrow with a reverse mortgage is dependent upon the appraised value of your home, current interest rates, and your age. Your Reverse Mortgage Specialist will go over all of this with you to determine how much you will be able to borrow.

WHAT WILL MY INTEREST RATE BE?

Your Reverse Mortgage Specialist will do their very best to lock in the lowest possible rate for your loan. Locking in your interest rate spares you the hassle of worrying about if your loan's interest rate will go up or down. Every lender has different policies for rate locks, so be sure to ask me about my specific guidelines related to your loan. Here are a few basic guidelines:

- You will be required to have a loan application on file.
- Lock periods can be up to 120 days and you will get the best rate between application date and closing date.

HOW DO I QUALIFY FOR A REVERSE MORTGAGE?



UNFORTUNATELY, JUST BEING 62 YEARS OF AGE OR OLDER DOESN'T AUTOMATICALLY MEAN YOU WILL QUALIFY. YOU MUST MEET FINANCIAL CRITERIA, AS ESTABLISHED BY HUD, IN ORDER TO QUALIFY. ALSO, THERE ARE SOME TYPES OF HOMES THAT ARE NOT ELIGIBLE. YOUR REVERSE MORTGAGE SPECIALIST WILL BE ABLE TO TELL YOU IF YOUR HOME QUALIFIES.

TO QUALIFY FOR A REVERSE MORTGAGE:

- » At least one homeowner must be 62 years or older
- » The borrower(s) must live in the home as their primary residence
- » There must be sufficient home equity available or cash on hand to cover any shortfalls
- » Borrowers also have to meet financial eligibility as set by HUD



WHAT TYPES
OF COSTS ARE
INCLUDED WITH
OBTAINING
A REVERSE
MORTGAGE?



THE COST TO YOU FOR YOUR REVERSE MORTGAGE DEPENDS ON THE TYPE OF LOAN YOU CHOOSE, THE AMOUNT OF MONEY YOU WITHDRAWAL UPFRONT, AND OTHER ASSOCIATED FEES.

WHAT ARE THE UPFRONT COSTS?

The upfront costs of a reverse mortgage include lender fees, upfront mortgage insurance, and closing costs. The mortgage insurance will be based on the appraised value of your home. Oftentimes, borrowers decide to pay their upfront costs using the funds from their loan, as opposed to paying them out of pocket.

WHAT ARE THE COSTS OVER TIME?

The costs over time include interest and mortgage insurance premiums. Don't forget that you are still responsible for property taxes, homeowner's insurance, HOA dues (if applicable), and any costs related to the upkeep of the property.



UNDERSTANDING THE FACTS!



COMMON MISCONCEPTIONS ABOUT REVERSE MORTGAGES:

MYTH #1

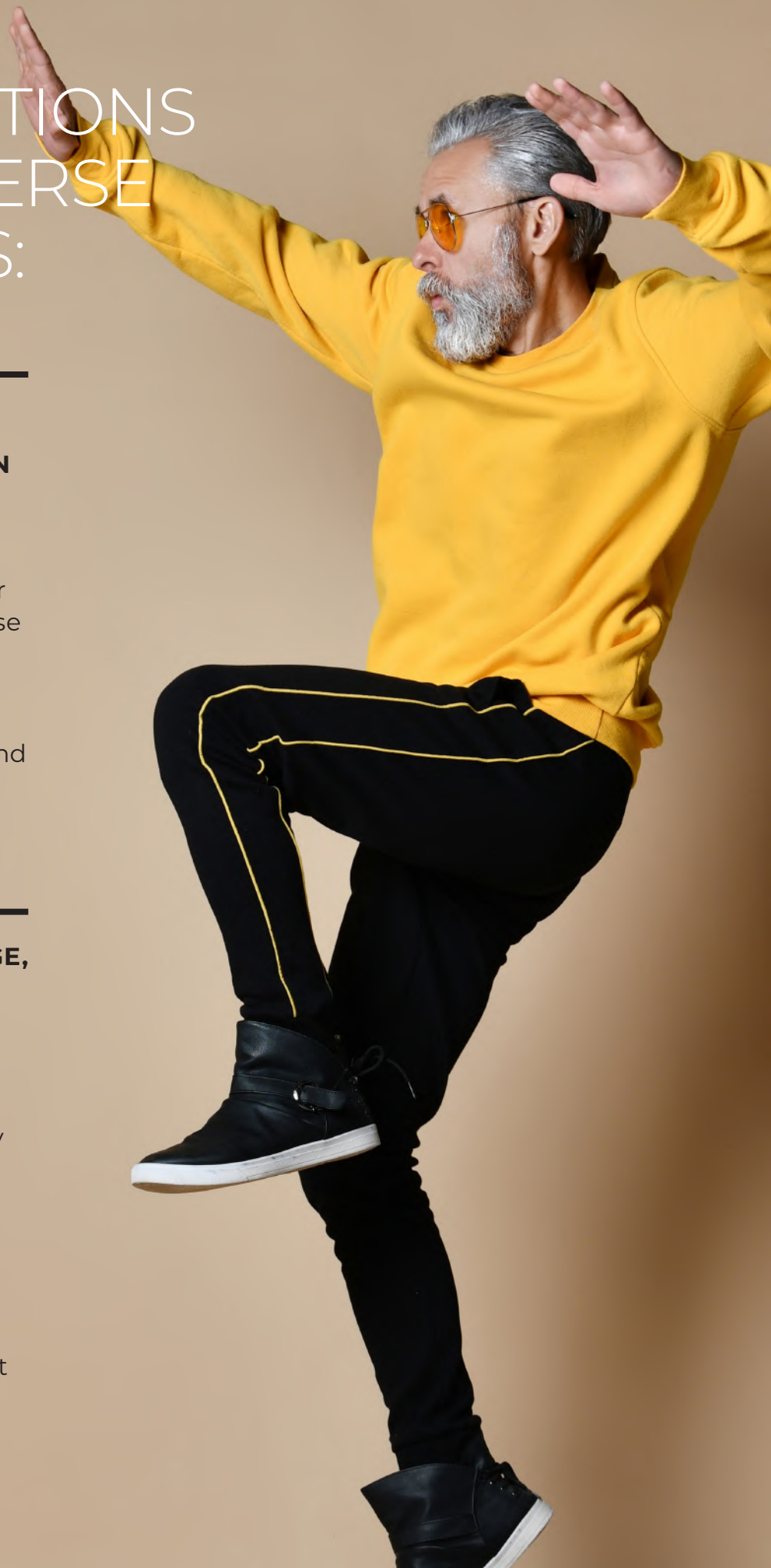
DOES A REVERSE MORTGAGE MEAN THAT I NO LONGER OWN MY HOME?

Fact – You retain ownership of your home during the life of your reverse mortgage and can choose to sell the home at any time. As long as you continue to live in your home, pay the property taxes, homeowner’s insurance and maintain the property, the loan will not be called due.

MYTH #2

I HAVE AN EXISTING MORTGAGE, DOES THIS MEAN I AM NOT ELIGIBLE FOR A REVERSE MORTGAGE?

Fact – If you have enough equity in your home currently, you may be able to pay off your existing mortgage with the funds from your reverse mortgage. In fact, paying off an existing mortgage tends to be the number one reason seniors decide to take out a reverse mortgage!



MYTH #3

I AM ON A LIMITED FIXED INCOME. WILL THIS PREVENT ME FROM OBTAINING A REVERSE MORTGAGE?

Fact – Because a reverse mortgage pays you, as opposed to a forward mortgage where you have to make monthly payments, a fixed income does not disqualify you. Oftentimes, seniors who may not qualify for traditional financing are able to qualify for a reverse mortgage.

MYTH #4

I DON'T KNOW FOR SURE HOW I PLAN TO USE THE FUNDS FROM MY REVERSE MORTGAGE. IS THE BANK GOING TO TELL ME HOW I HAVE TO SPEND THE MONEY?

Fact – The funds from your reverse mortgage are yours to use however you see fit. The most popular uses for seniors are to pay off an existing mortgage, pay off debt, and have a financial “cushion” for any unforeseen emergencies.

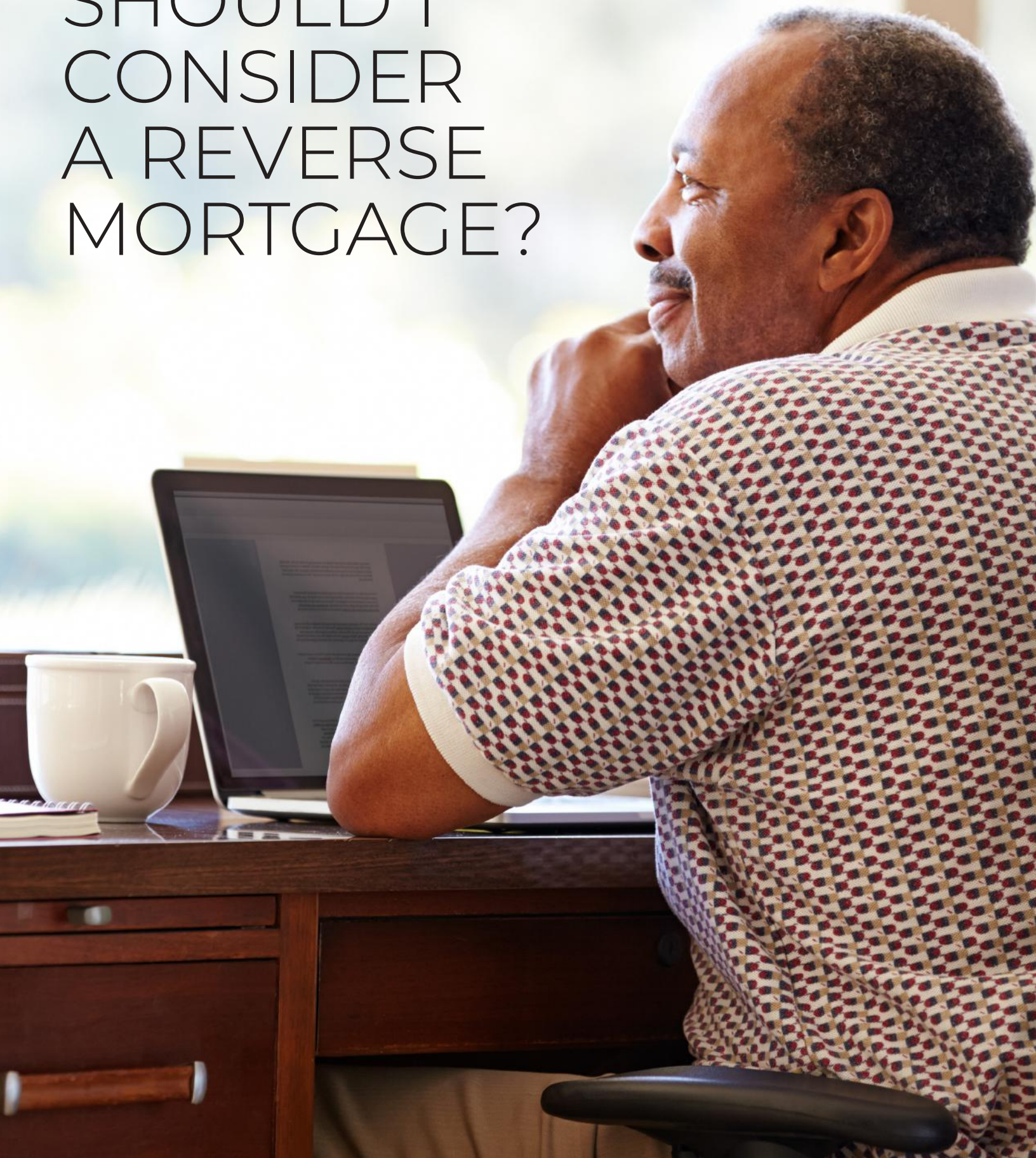
MYTH #5

MY CHILDREN WILL BECOME RESPONSIBLE FOR THE REPAYMENT OF MY REVERSE MORTGAGE?

Fact – Because reverse mortgages are considered “non-recourse loans”, the sale of the property is used to pay off the loan when the homeowner passes away or decides to sell the home. Therefore, there is no mortgage debt left for the heirs to pay off.



WHY
SHOULD I
CONSIDER
A REVERSE
MORTGAGE?



AS PEOPLE IN THE UNITED STATES LIVE LONGER, MANY SENIORS FIND THAT THEY ARE NOT PREPARED FINANCIALLY FOR THEIR EXTENDED RETIREMENT. EVEN THOSE THAT HAVE DILIGENTLY SAVED MAY FIND THEMSELVES “SHORT” EACH MONTH.

With the length retirement extending longer and longer, reverse mortgages may just be the answer! According to the Commission on Retirement Security and Personal Savings, there is \$12.5 trillion in home equity in the United States as compared to \$14 trillion in retirement assets. The Commission also notes that most people are falling short of the necessary retirement funds they require to continue a comfortable lifestyle.



SHOULD YOU CONSIDER AN FHA HECM REVERSE MORTGAGE?



The following list will help you to determine if a FHA Reverse Mortgage may make sense for you.

If you check 2 or more of the statements below, we need to talk – soon!

- I am purposely not doing special things, like going out to eat or taking a vacation, because our budget doesn't permit.
- I am concerned about losing my house due to nursing home/long term care issues.
- I am concerned about running out of money before I run out of life.
- I have missed out on spending time with family and friends because of money issues.
- I am afraid of how much I have in my nest egg and retirement accounts.
- I would like to have a condo, lake house or a place where it is warm in the winter.
- I would like to live in a newer home or smaller home on one level.
- I am concerned that I don't have enough money to afford the lifestyle I'd like if I live into my 90s.
- I would like to leave a certain legacy to my family or to a charity, but I don't know how.
- I would like to help my family, my church or other causes, but I don't feel I have enough money for myself.
- I think reverse mortgages are for poor people and I would be embarrassed for others to find out that I am looking into them.
- I have not taken the time or the money to pay an attorney to do my estate plan, power of attorney, etc. so my children will not have to pay double or triple the costs in probate fees later.

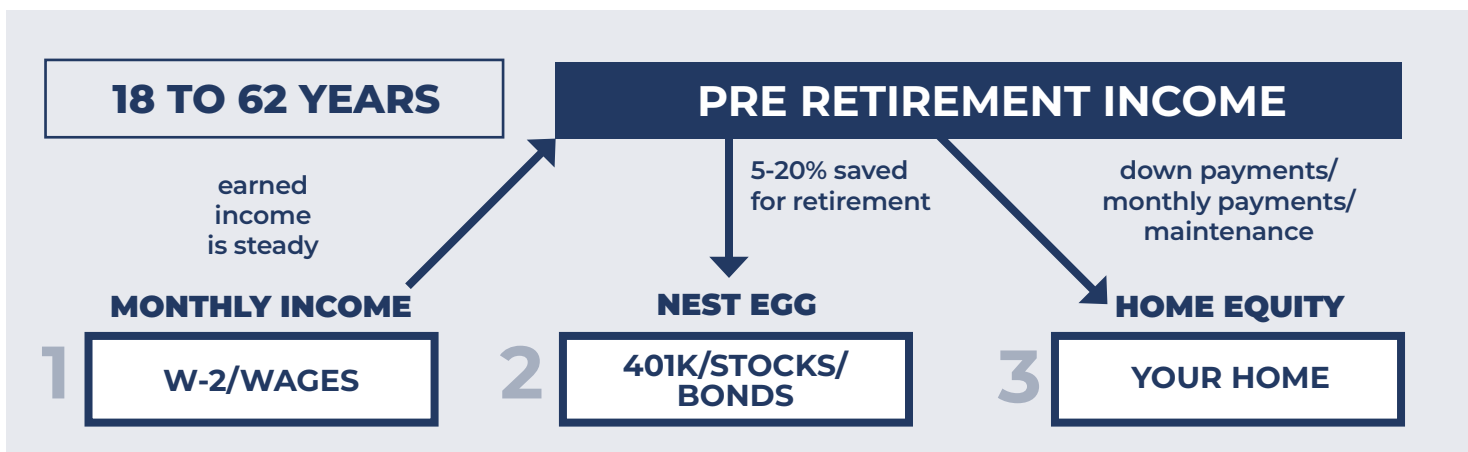
UNDERSTANDING YOUR HOME EQUITY

Many people feel that paying off their home mortgage and having a large amount of equity built up is the “Holy Grail” of retirement. For some, they wait until their mortgage is paid in full before they retire because they believe it’s safe to do so at that point. The truth is that home equity is good, but it’s not great because it’s not liquid, meaning you can’t access it readily.

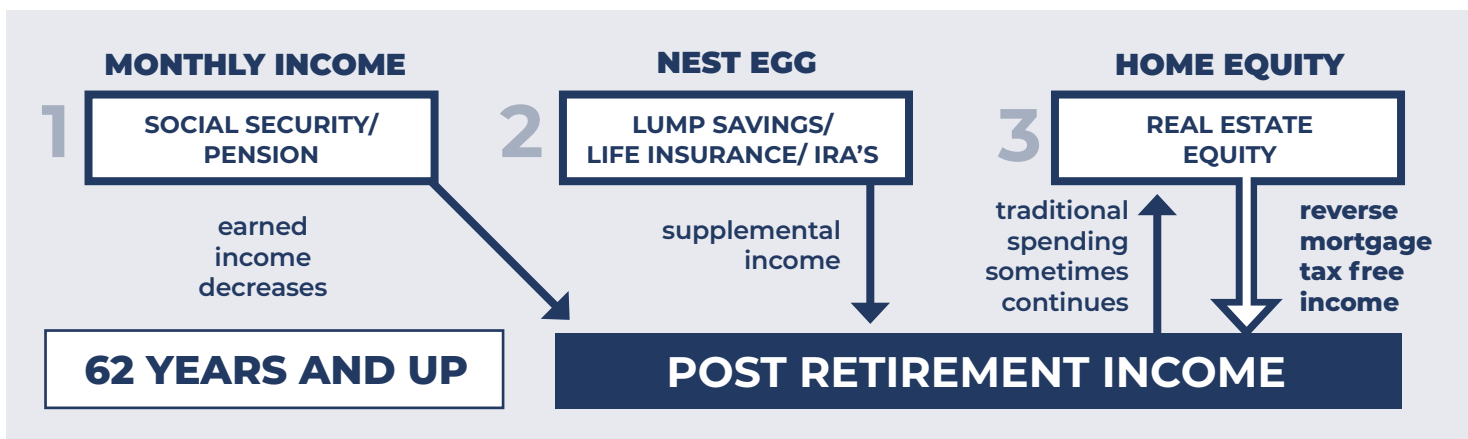
It’s typically better to have your equity in the form of cash so that you have more control over it, rather than relying on unknown outside factors to determine the value of that equity. This is where a reverse mortgage can be of benefit.

With a reverse mortgage, there is no monthly mortgage payment and no risk of foreclosure as long as you live in the home as your primary residence and pay the insurance and property taxes.

Let’s illustrate the benefits of converting your home equity into cash with a reverse mortgage:



During our earning years (18yrs – 62 yrs), we take money from our monthly W-2 income and put it into our “nest egg” bucket. In addition, we add quite a bit of our monthly income to our home by purchasing it, making monthly mortgage payments, improving it, etc.



Upon retirement, our monthly income decreases into just social security and pension income, hence we stop contributing money to our “nest egg” bucket and begin drawing money out of that bucket.

However, at this time many people continue to put money into their “home” bucket by continuing to make monthly mortgage payments, pay for taxes and pay for maintenance when there is more than enough equity built up.

Instead of paying into that “home” bucket, they should let their home take care of its own expenses, as well as provide them with a cash flow that is not taxable. A reverse mortgage can help them do just that.

Retirement is a different game and has different rules. The better you understand those rule, the better you can maximize your retirement income to your advantage.

REFERENCES:



THE
HUFFINGTON POST

RISMedia

REVERSE.ORG


NRMLA[®]
National Reverse Mortgage Lenders Association

cfpb Consumer Finance
Protection Bureau

 EQUAL HOUSING
LENDER

Everyone has a different situation, sets of needs, wants and challenges. It will be well worth your time to meet with one of our Certified Reverse Mortgage Planners to receive personalized advice to improve your retirement.



V.I.P. Mortgage, Inc. does Business in Accordance with Federal Fair Lending Laws. NMLS ID 145502. AZ: Mortgage Banker License No. BK-0909074. VIP is not acting on behalf of or at the direction of the FHA/HUD or the Federal Government. This product or service has not been approved or endorsed by any governmental agency, and this offer is not being made by any agency of the government. VIP is approved to participate in FHA programs but the products and services performed by VIP are not coming directly from HUD or FHA. Information, rates, and programs are subject to change without notice. All products are subject to credit and property approval. Not all products are available in all states or for all loan amounts. Other restrictions may apply. This is not an offer to enter into an agreement. Not all customers will qualify.