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## Reverse Mortgage Options

December 8, 2015 9 AM - Noon  
3 Hours CE

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***As a result of this seminar participants will be able to:***

- describe the socioeconomic drivers of the reverse equity mortgage.
- list top reasons why seniors choose this mortgage product.
- explain borrower, property and financial requirements.
- formulate loan amounts with online calculator.
- compare the currently popular HECM (Home Equity Conversion Mortgage) products.
- employ the HECM product in the purchase of another home.
- summarize closing costs.
- evaluate advantages and disadvantages.

## **Intro/History**

### **1. Myths/Misconceptions about the Reverse Mortgage!**

Misconception #1: Reverse mortgages are only for desperate seniors or for the “House Rich, Cash Poor.”

Misconception #2: Your home must be debt-free to qualify for a reverse mortgage.

Misconception #3: The bank owns the home after you get a reverse mortgage.

Misconception #4: When a reverse mortgage comes due the bank sells the home.

### **2. Socioeconomic drivers of the Reverse Equity Mortgage**

- The Aging Population
- Population Explosion in general
- The Economy
- Poor Planning
- Others?

### **3. Why seniors select the REM**

- 1) Retire existing mortgage
- 2) Increase monthly retirement income
- 3) Make home improvements / increase value
- 4) New or second home purchase
- 5) Pay property or school taxes
- 6) Avoid Foreclosure
- 7) Eliminate debt / credit
- 8) Cover daily or new health care
- 9) Fund long term health care
- 10) Postpone Social Security until age 70
- 11) Estate planning/Life ins/investment funding
- 12) Charitable & family gifting

#### 4. Requirements (HECM product)

- Borrower:
  - Be 62 years of age or older
  - Own the property outright or paid-down a considerable amount
  - Occupy the property as your principal residence
  - Not be delinquent on any federal debt
  - Participate in a consumer information session given by a HUD- approved HECM counselor

- Property:

The following eligible property types must meet **all** FHA property standards and flood requirements:

- Single family home or 2-4 unit home with one unit occupied by the borrower
- HUD-approved condominium project
- Manufactured home that meets FHA requirements

Note: The HECM program's home value limit is currently \$625,500. This limit means that if the home is worth more than \$625,500, the loan amount is based on a value of \$625,500 rather than its actual value.

- Financial
  - No traditional income check, PITI ratios or employment qualifications
  - Verification of willingness & capacity: credit, income, assets & monthly expenses.
  - Timely payment of real estate taxes, hazard and flood insurance premiums are verified.
  - Can be lump sum, monthly installments, line of credit, upfront sum+ monthly allotments
  - Does NOT affect SS or Medicare benefits
  - No repayment of loan as long as you continue to own and live in home
  - Still allowed if life estate or trust (in many cases even an irrevocable trust)
  - Heirs can keep home once reverse mortgage is paid in full
  - FHA HECM product currently offers Fixed or ARM (monthly adjustment)
  - Jumbo loans currently not available.

**5. Demo at online REM calculator**

*(National Reverse Mortgage Lenders Association)*

[www.reversemortgage.org/About/ReverseMortgageCalculator.aspx](http://www.reversemortgage.org/About/ReverseMortgageCalculator.aspx)

**6. The FHA HECM (Home Equity Conversion Mortgage) products**

- Adjustable Rate
- Fixed Rate

**7. Using the HECM for Purchase**

**8. Advantages / Disadvantages**

**9. Self Evaluation / Action Steps**

I learned / was reminded of.....

**Resources:**

- National Reverse Mortgage Lenders' Association  
[www.reversemortgage.org](http://www.reversemortgage.org) for info and list of lenders in your state  
[www.reversemortgage.org/About/ReverseMortgageCalculator.aspx](http://www.reversemortgage.org/About/ReverseMortgageCalculator.aspx) for online calculator
- [www.hud.gov](http://www.hud.gov)
  - FHA Insured Reverse Equity Mortgage Program (Home Equity Conversion Mortgage):  
HECM: Home Page for info:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hecm/hecmhome](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome)

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[www.reversefunding.com](http://www.reversefunding.com)

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