



REVERSE MORTGAGE GUIDE

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Call: 704-336-9440

ABOUT THIS GUIDE

This guide provides general education on reverse mortgages, as well as information about FHA-insured reverse mortgages.

This guide is made in concert with Smartfi Home Loans, and therefore includes additional information about the Smartfi® Choice reverse mortgage, which is a loan option made available to you through our partnership.

WHY REVERSE? WHY NOW?

“The main reason homeowners choose a reverse mortgage is to pay off other debt. Its well-known American retirees have limited sources of income. Uncertain Social Security payments combined with depleting pension or 401k plans makes retirement a long-term financial challenge.”

Wall Street Journal, October 2021



Test Your Knowledge

TRUE OR FALSE?

FLIP TO SEE ANSWERS

Statement 1

A reverse mortgage requires a monthly mortgage payment to the lender, just like a traditional mortgage.

Statement 2

A reverse mortgage can be used to purchase a home.

2 - True

With a reverse mortgage, you can use the proceeds from the sale of your current residence and the equity in the house you're purchasing, to buy a new home.

1 - False

A reverse mortgage does not require a monthly mortgage payment, instead it pays you! The borrower is still responsible for paying property taxes, insurance, and any HOA fees.

WHAT IS A REVERSE MORTGAGE?

Simply put, a reverse mortgage loan gives older American homeowners a way to turn their home's equity into tax-free² cash. The funds you receive can be used for almost anything, including paying off your existing mortgage (required as part of the loan), eliminating credit card debt, paying medical and other bills, or simply improving your retirement lifestyle.

The most common type of reverse mortgage is a Home Equity

Conversion Mortgage, or HECM, and is insured and regulated by the Federal Housing Administration (FHA). The FHA provides certain protections to the borrower, such as counseling and a comfort in knowing that when the loan comes due and payable, you'll never owe more than the value of the home.

Unlike a traditional mortgage and home equity line of credit, a **reverse mortgage provides payment optionality** – meaning the borrower can choose to make mortgage payments throughout the life of the loan, or not.

Of course, the borrower still must pay property taxes, insurance, HOA fees and costs to maintain the property.

²Consult a tax advisor and appropriate government agency for any affect on taxes or government benefits.

CHOOSE YOUR WAY OF PAYING



OPTION 1

Repay the loan balance in one lump sum by selling the home or refinancing the balance after the last borrower leaves the home. *This is a requirement of the loan terms.*

After repayment, any remaining equity is yours or the heirs to keep. Anything owed above the home's future market value, will be covered by the non-recourse clause.

OPTION 2

Borrowers may also elect to make a monthly, quarterly or annual repayment throughout the life of the loan, to preserve the home's equity or increase a line of credit, if they have one. You may adjust, stop, or start payments at any time to pay whatever fits in your financial picture.

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YOUR HOME IS YOURS CONTINUE TO OWN IT



You may have heard that getting a reverse mortgage means the lender owns your home. Fortunately, that's just a common misconception. In reality, **when you obtain a reverse mortgage, the title to the home remains in your name and possession.** In the rare case that a borrower leaves their home permanently and does not repay the loan, the home is put into a Real Estate Owned (REO), which prepares the home for sale on behalf of the borrower, so that the loan can be repaid.

Our goal is the same as yours – for you to stay in the home you love for as long as you wish.



3 MOST COMMON REASONS TO GET A REVERSE MORTGAGE



Eliminate required monthly mortgage payments*



Provides safety to stay in your home



Access to extra, tax-free² cash that can grow

Eliminate Monthly Mortgage Payments*

A reverse mortgage does not require regular payments and if you have an existing mortgage, a reverse can pay it off. That means hundreds or thousands of freed up cash each month!

Stay in Your Home

Your home stays in your possession and as long as you maintain the loan requirements, such as paying property taxes and insurance, HOA fees, and maintaining the property, and living in the home as your primary residence, you have the safety to stay in your home.

Access Extra Cash

The extra cash you receive is **tax-free**.² Your money can be used at your discretion, but are commonly used for paying off debt, making home repairs or upgrades, or supplementing monthly income.

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

²Consult a tax advisor and appropriate government agency for any affect on taxes or government benefits.

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HOW MUCH MONEY CAN I GET?

Great question! The amount you can receive depends upon a few things:

The age of the youngest borrower or non-borrowing spouse

The older the borrower, the more money you can receive

Appraised home value

The higher the appraisal, the more funds you can access^x

^xMax loan amount \$4M

Current interest rate

The lower the interest rate, the more equity you can cash in on

Here's an example:

With an expected interest rate of 6.32% and an appraised home value of \$900,000, the borrower (based on age) would have access to the following:

Age	Loan Amount	% of HV ^a
62	\$305,100	33.9%
72	\$359,100	39.9%
82	\$446,400	49.489%

^aHV = home value

HECM variable interest rate with line of credit used (11/03/22) to calculate loan amounts. Rates and loan amounts are subject to change.



Test Your Knowledge

CHOOSE THE FALSE STATEMENT

FLIP TO SEE IF THE STATEMENT IS TRUE OR FALSE

- 1 A reverse mortgage turns home equity into cash.
- 2 The unused portion of a HECM line of credit continues to grow.
- 3 The lender owns my home when I have a reverse mortgage.

1 - True
A borrower can use a reverse mortgage to pay for home improvements, but the title remains in your name.

2 - True
Leaving some of your line of credit unused, or paying down the loan balance, allows the unused credit to grow.

3 - False
A reverse mortgage turns home equity into cash. The lender owns my home when I have a reverse mortgage.

1 - True
Your equity is made accessible as a line of credit, lump sum, or monthly payment.

WHICH REVERSE MORTGAGE IS RIGHT FOR ME?

HECM REVERSE MORTGAGE

A Home Equity Conversion Mortgage (HECM) is **the most common reverse mortgage** and is **insured by the FHA**, making it subject to certain limitations. It requires borrower counseling and mortgage insurance and currently has a lending limit of up to \$1,089,300.²

With a HECM, borrowers can choose to withdraw their funds through a fixed monthly disbursement, a line of credit, a lump sum, or a combination.

REVERSE FOR PURCHASE

With a Reverse Mortgage for Purchase, you can **buy a home using the proceeds from the sale of your current residence, and the equity in the house you are purchasing, to buy your new home**. By doing so, you'll have no monthly mortgage payment* and can enjoy retirement in the home of your dreams.

WHO MAY FIT HECM?

- Borrower whose home value is within the \$1,089,300 lending limit
- Borrower who wants to have a line of credit or schedule payouts
 - Borrower who wants payment optionality

CHOICE JUMBO REVERSE

available through our partnership with Smartff®

The **Smartff® Choice** is a great option for borrowers who want to purchase or refinance, and whose needs or qualifications, don't quite fit the HECM design. With the Smartff® Choice reverse mortgage, borrowers can be **lent up to \$4,000,000**, have **no upfront mortgage insurance premium**, receive **all loan proceeds at close**, and can qualify for the reverse mortgage at **age 55**.¹

WHO MAY FIT CHOICE?

- Borrower whose home value is above HECM's \$1,089,300 lending limit
- Borrower who wants to receive all funds at close
- Borrower who has a non-FHA approved condo
- Borrower who is not yet 62 years old

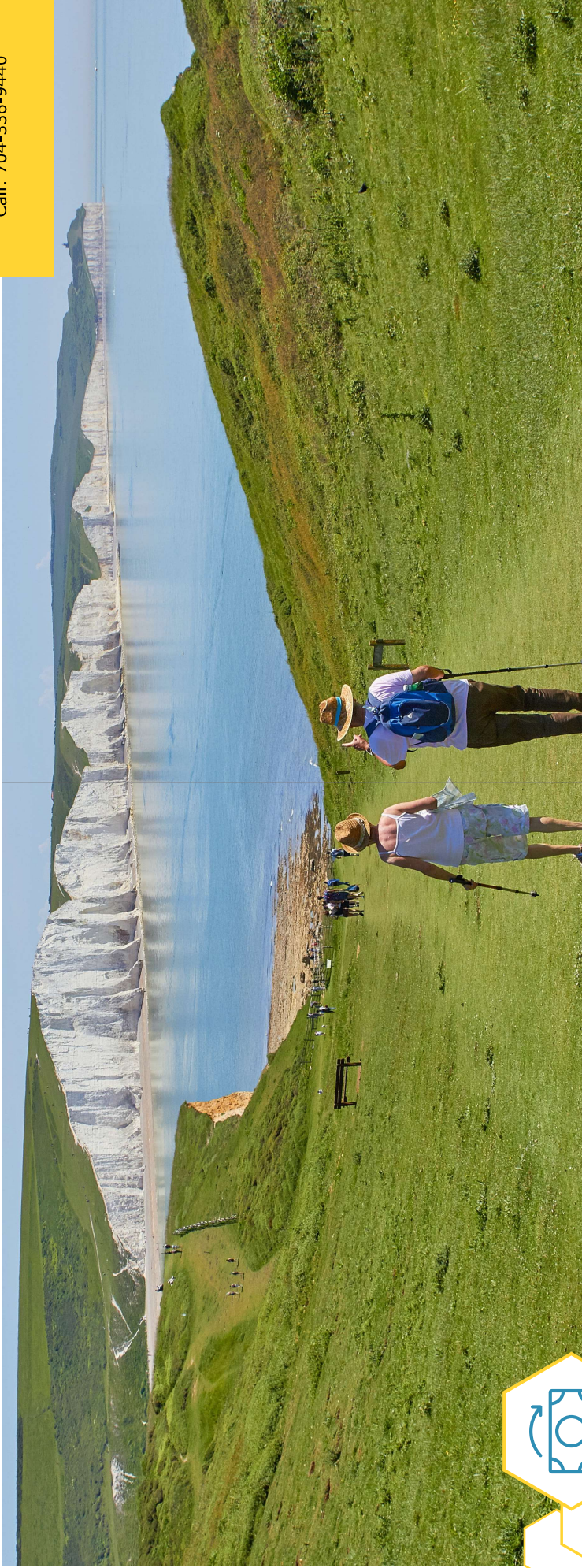
*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

¹Age requirements differ by product and state

²Lending limit effective 01/01/2023



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REVERSE IN REAL LIFE

FHA Home Equity Conversion Mortgage

The Borrower

Age **79**
Home Value **\$300,000**
Remaining mortgage **None**

Practicality and Stability

John lives on social security payments but wanted to **boost his monthly income and increase his quality of life** for retirement. His home is paid off and he was ready to utilize his equity to meet his need.

John chose a **HECM** to receive monthly payments from his line of credit

The Borrowers

Ages **60 & 61**
Home Value **\$1,500,000**
New mortgage balance **\$500,000**

Living their Dream

Susan and Mike enjoyed their spacious property but were ready to **retire along the coast**. They wanted to keep as much cash on hand as they could after **purchasing their dream home** so they could **make home upgrades** and be ready for any other expenses.

Susan and Mike chose a **Choice for Purchase** to buy their dream retirement home and have no monthly mortgage payment*

Smartfi® Choice Jumbo Mortgage

available through our partnership with Smartfi Home Loans

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

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WAYS TO USE A REVERSE MORTGAGE

Save. Spend. Enjoy.

- Increase monthly cash flow
- Pay off an existing mortgage
- Eliminate credit card debt
- Pay down medical bills
- Fund home repairs and improvements
- Travel and vacation
- Pay property taxes and insurance
- Improve your lifestyle
- Invest and diversify your retirement portfolio
- Maintain a growing line of credit for future needs⁴

"93% of borrowers said that a reverse mortgage had a positive effect in their lives"

2006 AARP National Survey of Reverse Mortgage Shoppers Sample

^{*}Borrower must pay property taxes, insurance, HOA fees and maintain the property.

¹Age requirements differ by product and state

⁴Not available on all products



Test Your Knowledge

What is a reason to get a reverse mortgage over a home equity line of credit (HELOC)?

FLIP TO SEE IF THE REASONS ARE TRUE OR FALSE

- 1** A HECM line of credit cannot be frozen.
- 2** A HECM line of credit doesn't fluctuate with the market.
- 3** Payments to a reverse mortgage line of credit are optional.

3 - True
Unlike a HELOC, you will not be required to make payments until a qualifying event occurs.

2 - True
Any unused credit will not dip in an unsteady market, but instead continues to grow.

1 - True
Access to your line of credit cannot be frozen at a whim.



HOW DO I QUALIFY?

To qualify for a reverse mortgage, the following must be met:

- All borrowers are at least age 55¹
- The subject property is in the borrower's name and is their primary residence (*living in it consecutively for six months and a day per year*)
- There is sufficient equity in the home
- Borrower passes product specific residual income and credit requirements
- Borrower completes reverse mortgage counseling

WHAT IS THE LOAN PROCESS?

Step 1 – Make an initial application

Work with your mortgage broker to review your goals and make an initial application to determine what loan options are best for you.

Step 2 – Attend reverse mortgage counseling

To ensure you have the knowledge and tools to make an informed decision, you will need to complete a HUD-approved counseling session, either over the phone or in-person.

Step 3 – Submit your completed application

Once you have your counseling certification and required documentation together, you will submit everything to your mortgage broker.

Step 4 – Appraisal and underwriting

An appraisal of your home will be completed (HECMs require it be done by an FHA-approved appraiser). The appraisal and all other documentation will then be sent to underwriting for approval.

Step 5 – Closing and funding

Upon underwriting approval, your final loan documents will be delivered to you and a notary will assist in signing. Once your closing documents are signed (and, if applicable, your three-day rescission period is over), the funds will be released to you.

A rescission period is a time when you can cancel the loan with no penalty

CONSUMER SAFEGUARDS

COUNSELING

All HECM and Smartfii® Choice reverse mortgage applicants are **required to undergo third-party counseling** so that you understand all your options and can feel completely comfortable with the process.

NO PRE-PAYMENT PENALTY

You can choose to **repay the loan at any time**, without incurring any additional costs.

NON-RECOURSE LOAN

A non-recourse loan **protects you from being held liable for the loan beyond the value of the home**. Your financial obligation to the lender will not be more than the home's value when the reverse mortgage loan comes due. Both the FHA HECM and Smartfii® Choice have this great feature.

BORROWER RESPONSIBILITIES



TAXES AND INSURANCE

You are required to remain current on your property taxes, home insurance, and if applicable, HOA fees.

PROPERTY MAINTENANCE

You are responsible for completing mandatory repairs and basic home maintenance during the life of the loan.



OCCUPANCY REQUIREMENTS

The home must be your principal residence, meaning you must live in it consecutively for six months and a day each year.



*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

†Consult a tax advisor and appropriate government agency for any affect on taxes or government benefits.

‡Not available on all products

REVERSE MORTGAGE BENEFITS

Eliminates required monthly mortgage payments*

Allows you to **stay in your home** and in possession of your house

Gives you access to **tax-free² cash**

Not owing more than your home's value when the loan is due

Is a **non-recourse loan**

Gives you freedom to spend your cash as you choose

Gives your heirs the option to purchase the home after you pass

Only pay interest **on funds borrowed**

Unused line of credit grows over time⁴

Payments made throughout the life of the loan **increase equity and pay down the balance**



WHAT IS A QUALIFYING EVENT?



A qualifying event that causes the loan to become due is any of the following:

- If the borrower fails to meet their obligations under the mortgage, such as paying property taxes and insurance and maintaining the property
 - When the last surviving borrower or eligible non-borrowing spouse:
 - Passes away
 - Sells their home
 - No longer lives in the home as their primary residence
- Is either living in another residence for more than 6 consecutive months or in a healthcare facility for more than 12 consecutive months. Healthcare facilities include hospitals, rehabilitation centers, nursing homes, and assisted living facilities.*

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FAMILY & LOVED ONES

A reverse mortgage can help care for your loved ones by providing funds to cover the cost of modifying or upgrading their home, paying for in-home care, taking care of other health costs, providing additional income, or even funding the cost of checking off bucket list items.

“The smile they have on their faces, with the home improvements they are now able to pursue and the medical care they can afford, is just breathtaking.”

Daughter of Mary & Alvin

FAMILY RESPONSIBILITIES

The loan becomes due when a qualifying event occurs, typically when the last borrower leaves the home. If you're the heir to the home, **you have a right to sell the home and repay the loan, or to keep the home and use other assets, or refinance, to repay the existing loan.** After loan repayment (including interest and fees), any **leftover equity is yours to keep.** The lender will never obtain the title, as long as the existing loan is paid in full.

COMMON QUESTIONS

Does the bank own my home or do I?

You do! With a reverse mortgage, the title to the home remains with the borrower. The bank/lender never owns your home.



How much can I borrow?

Loan proceeds are determined by the youngest borrower's or non-borrowing spouse's age, the product type and the corresponding interest rate. To estimate how much you are eligible for, get in touch with your agent!

What if I have a mortgage?

If you have a mortgage and qualify for a reverse mortgage, the reverse will pay off your existing mortgage and then give you the remaining proceeds. In fact, many borrowers use a reverse mortgage for that purpose – to eliminate required monthly mortgage payments.*



*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

Will my children lose their inheritance?

Your children have options when it comes to your home. Typically the loan is repaid through the sale of the home. Your heirs can choose to sell the home, pay the loan and receive any remaining equity; or, they can purchase/refinance the home, at less than market value, and pay back the loan with a traditional mortgage.



Does a reverse mortgage require monthly payments?

A reverse mortgage does not require monthly mortgage payments, but it does require you to pay taxes and insurance, any HOA fees, and pay for general upkeep to keep the home in good condition.



What options do I have to access the equity in my home through a reverse mortgage?

You can access the equity in your home through a lump sum, monthly payments, a line of credit, or a combination of any of these.



Do I stop receiving access to funds if I outlive the equity in my home?

No, if you outlive the equity in your home, you will continue to receive your scheduled disbursements.



Test Your Knowledge

TRUE OR FALSE?

FLIP TO SEE ANSWERS

Statement 1

Reverse mortgages are designed for seniors.

Statement 2

HECMs are not insured.

Statement 3

Lenders can ask to be repaid by my other assets when the loan comes due.

Reverse mortgages are non-recourse loans, so they can only be paid back from the home.

3 - False

Reverse mortgages are

non-recourse loans, so they can only be paid back from the home's value.

2 - False

HECMs are insured by the FHA,

so you'll never owe more than the home's value.

Age requirements differ by product and state.

1 - True


Borrowers must be at least 55 to qualify.

Age requirements differ by product and state.

START YOUR REVERSE JOURNEY TODAY

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