Why should you consider a HECM reverse mortgage?

A reverse mortgage is a type of loan that allows homeowners to convert their accrued equity into usable funds. Home Equity Conversion Mortgages (or HECMs) are reverse mortgages insured by the Federal Housing Administration (FHA) under the U.S. Department of Housing and Urban Development. HECM reverse mortgages are regulated by the government, so certain rules and limits apply. Many of these rules and limits are in place to protect the borrower, such as counseling, financial assessment and more.

While a HECM reverse mortgage is regulated and insured by the government, it is not a government loan. Private lenders issue HECM reverse mortgages and service them. The government insures HECMs to protect borrowers in case a lender can't make payments or the loan balance exceeds the home's value at the end of the loan. HECM borrowers pay up-front and annual mortgage insurance fees toward the government's costs of insuring HECMs.

HOW CAN YOU QUALIFY FOR A HECM REVERSE MORTGAGE?

Borrowers must meet three basic requirements:

1. Be 62 years of age or older
2. Live in the home as your primary residence. A reverse mortgage cannot be used for a second home or investment property.
3. Have paid off much or all of your traditional mortgage.

In addition to the three requirements above, several other guidelines also apply to qualify for a reverse mortgage.

- The home maintenance must be up-to-date. After you apply for a reverse mortgage, your home will be appraised, and maintenance needs will be identified.
    - During the appraisal process, the appraiser will note any deficiencies in your home that need repair. Examples of common deficiencies include peeling paint, roofing problems, inoperable heating/air-conditioning systems, broken windows, missing handrails and inadequate electrical systems.
    - While most repairs need to be completed before closing, in some instances the lender may allow a set-aside to help pay for the cost of repairs after closing. With a set-aside, a portion of your loan proceeds will be held to cover these costs.

- Borrowers must be able to pay homeowner's insurance, property taxes and maintain their homes. With a HECM reverse mortgage, you're still responsible as the homeowner for these expenses.

> Financial assessment: The Federal Housing Administration (FHA) requires homeowners to have an assessment to determine their willingness and capability to remain current on their home ownership obligations and make sure they qualify for a HECM. During financial assessment, the lender will review your credit history, analyze your income and compare it with expenses.
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> If you don't initially qualify after financial assessment, you may be eligible to set money aside from your reverse mortgage proceeds to cover the future costs of taxes, insurance and maintenance.

- The type of home must be eligible.

Single family homes and two-to-four unit homes qualify as long as one unit is occupied by the borrower. Condominiums that meet the U.S. Department of Housing and Urban Development's FHA approval requirements also are eligible.

WHAT ARE THE BENEFITS OF A HECM REVERSE MORTGAGE?

- Peace of mind
  - You'll have pre-loan counseling to make sure you're completely informed about the reverse mortgage.
  - You can supplement your fixed income with reverse mortgage funds to cover your daily expenses.
  - You can pay off other existing mortgages.
- Flexibility
  - You can use the reverse mortgage proceeds in any way you choose.
  - You can finance most closing costs into the loan, which reduces out-of-pocket costs.
  - You have flexible disbursement options: lump sum, monthly long term payment, line of credit or a combination of these.
- Repayment terms
  - You won't have to repay the loan as long as the home is your primary residence and you stay current on property taxes, insurance, home repairs and abide by all loan terms.
  - You won't have prepayment penalties if the loan is paid off early.
  - You and your estate will never owe more than the fair market value of the home when the reverse mortgage loan becomes due and payable. HECM reverse mortgage loans are non-recourse loans and are insured by the FHA. A licensed, FHA-certified appraiser will determine the home's value.

WHY SHOULD YOU CONSIDER A HECM REVERSE MORTGAGE?

- A source of flexible funds
  - A HECM reverse mortgage offers additional funds. If unexpected expenses arise, a HECM reverse mortgage can provide the funds to pay for them.
  - Disbursement is flexible, allowing you to take the loan proceeds in the way that works best for you: a lump sum, monthly payments, a line of credit or a combination of the three.
  - You decide how to use the funds from your loan. You might choose to spend the funds on health needs, travel, home modifications and improvements or whatever you choose!
- Age in place
  - You'll have funds to to pay for services that will meet your needs at home.
  - As the homeowner, you retain the title to the home and have funds to remain there for the long term.
- Protect your heirs and estate
  - Because the HECM reverse mortgage is government-insured and non-recourse, at repayment, you and your heirs will never owe more than the fair-market value of the home as determined by a licensed, FHA-certified appraiser.

ReverseMortgages.com, 3401 W. Broadway Business Park Ct. Ste. 213, Columbia, MO 65203
NMLS# 1313859 Phone: 888-988-8485 www.ReverseMortgages.com