

ABOUT REVERSE MORTGAGES

A QUICK Q&A GUIDE ON HOW TO OPTIMIZE RETIREMENT CASH FLOW WITHOUT SELLING YOUR HOME

What is reverse mortgage?

- It's a special type of loan that enables individuals aged 62 or older to convert some of their home's equity into tax-free funds
- Unlike traditional equity loans, you receive payments instead of making them

Who is eligible?

- Homeowner(s) who are at least 62 years of age and occupy the property as their principal residence
- Eligible properties include single-family homes, condominiums and townhomes, or a 2- to 4-unit dwelling
- The home must be owned free and clear or have a small remaining balance that can be paid off the reverse mortgage
- No income, employment or credit requirements are required

How much can someone borrow?

- The amount that can be borrowed is based on HUD formula that factors in the age of the youngest homeowner, the interest rate, appraised value, and the county where the property is located

What are some benefits?

- The reverse mortgage customer retains ownership and lives in their home
- Cash advances can be used for any purpose
- Loan proceeds are not considered income and will not affect Social Security or Medicare benefits. However, your monthly reverse mortgage advances may affect your eligibility for some other programs. Consult with your local program offices or attorney to determine how, or if, monthly reverse mortgage payments might affect your specific situation.

What type of interest rate options are there?

- The reverse mortgage is available as either a variable or fixed-rate loan. The variable rate is linked to the one-month LIBOR.
- Any adjustment in the rate has no effect on the amount or the number of loan advances the customer can receive, but causes the loan balance to grow at a faster or slower rate

What are the tax-free cash options?

- Lump sum advances make cash immediately available
- Tenure plans provide fixed, monthly cash advances
- Line of Credit makes cash available upon request

What are the tax-free cash options?

- You do not need to repay the loan as long as you or one of the borrowers continues to live in the house, keep the taxes and insurance current, and maintain the property to FHA standards
- Please ask your reverse mortgage consultant for details about when repayment may be due
- Any remaining home equity belongs to you or your heirs - none of your other assets will be affected by the reverse mortgage

