

Reverse Mortgage



REVERSE MORTGAGE – A Retirement Planning Option

You've planned, saved, invested wisely and yet in today's volatile financial market your economic outlook or circumstances have changed beyond your control. A Reverse Mortgage can help. A part of your retirement or estate planning should include considering a Reverse Mortgage as a possible option.

Definition of a Reverse Mortgage: Enables eligible homeowners to access the money they have built up as equity in their homes. They are primarily designed to strengthen seniors' personal and financial independence by providing funds without a monthly payment burden during their lifetime in the home. Consider it an asset retention tool.

A Reverse Mortgage is the same as any mortgage, it is borrower specific. You have to look at your family's particular set of circumstances and what you want to achieve to decide what is right for you. The qualifications, as with any mortgage the borrower must qualify for the loan, with a Reverse Mortgage:

- The youngest title holder must be 62+ years of age
- It must be your primary residence – may not be second home or investment property
- Generally, single-family residences, two to four family owner-occupied dwellings, townhomes, approved condominium units, and some manufactured homes are eligible.
- You are responsible for the property tax, homeowners insurance and must maintain the home to FHA standards.

Before applying for a Reverse Mortgage it is important to have a conversation with a Reverse Mortgage Specialist to develop a trusted relationship so that you are looking at your total financial picture to determine if this program is the right fit for you. As part of the process you are also required to talk with an independent counselor approved by (HUD). They provide objective information about Reverse Mortgages, answer your questions and make sure you understand the process. It is preferred that you meet with the counselor in person, however often the interview can be conducted over the telephone for your convenience. Counselors will be asking questions of the borrower to make sure they understand the major aspects of the Reverse Mortgage and not the misconceptions.

There have been some misconceptions about Reverse Mortgages, and early Reverse Mortgages did not provide the protection for borrowers that they do today. One of the major misconceptions is that you did not own your own home; and it is important to know you do own your own home.



Cathy Staup is your key to home buying in the Pacific Northwest.
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Is a
Reverse
Mortgage
Right for
you?

You remain the title holder of your home – not the lender. You do not need to own your home free and clear; however, substantial equity is required. Again that is why you need to have an initial conversation with your trusted Reverse Mortgage Specialist.

If you currently have mortgage on your home and the Reverse Mortgage Product is your solution, that mortgage will be paid off with the proceeds. A Reverse Mortgage can be:

- For the Purchase of a new Primary Residence
- For the Refinance of your existing Primary Residence
- There are multiple products with either fixed or adjustable rates.
- When you hear the term HECM – this acronym is: Home Equity Conversion Mortgage which applies to both the Purchase and Refinance Product Line.
- The Reverse Mortgage is an FHA government insured / non-recourse loan. Non-Recourse means when you sell your home; your repayment is limited to the value of your home, even if your loan balance exceeds the current market value of your home. However, if you or your heirs desire to keep your home, the full loan balance would need to be repaid.

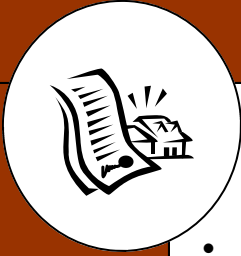
Benefits to you:

- Allows you to stay in your home as long as you choose. Having independence.
- You can maintain your savings/retirement funds separate from your home. Asset retention.
- Allows you to maintain your standard of living.
- Can cover your healthcare, prescriptions, or in home care.
- Can be used for purposes of your own discretion.

When you do a Home Equity Conversion Mortgage Refinance there are several ways you can choose to receive payment of the Reverse Mortgage:

- You can get the funds in a lump-sum payment
- A monthly payment (either life time or term)
- Line of Credit
- Or any combination of the above.

The above options are based on the variable adjustable rate program(s). The only option for the fixed rate program is a lump-sum payment. Many ask do I have to repay a Reverse Mortgage loan. The answer is yes, it is still a mortgage.



What triggers repayment:

- You sell your home or transfer the title to another person
- You vacate your home for longer than 12 months (in most states)
- You pass away and there is no other borrower on the title
- You do not maintain the home's condition according to FHA requirements
- You do not pay required property taxes and/or homeowners insurance

Make sure
you talk to
a
specialist
before
making a
decision.

The most common situation is that the last borrower on the title passes away after living in the home until his or her death. The estate then sells the home and repays the Reverse Mortgage with the proceeds, keeping any remaining equity. Remember, when you sell, neither you nor your heirs will ever be personally responsible for repaying more than the market value of your home. Once a year a letter (to be signed by the borrower) is sent by the lender to verify the homeowner is still living in the home, if no one responds to the first letter a second letter is sent, if no response on the second letter someone is sent to the home to investigate ownership.

If your heirs decide to keep your home, they can do so by repaying the full loan balance.

Anyone considering a Reverse Mortgage should to contact and speak with an experienced Reverse Mortgage Loan Specialist to see if this is right for you. Not all loan officers are qualified in this product.

Authors: Cathy Staup and Leslylee Kelledees Sept 2011

Cathy Staup is an experienced Broker in Washington State since 2002, a member of the President's Club. Experienced in all phases of sales and marketing single family, multi-family, condominium properties, manufactured homes, improved and unimproved land, new construction and presales.

She is an approved instructor for the Washington State Housing Finance Commission which provides home buyer education services and down payment assistance for first time home buyers, a registered HUD selling agent, ABR and RDCpro certified.

Leslylee Kelledees has over 30 years in the financial industry. She is a Certified Mortgage Planning Specialist since 2007 and Seattle's 2009 FIVE STAR Mortgage Professional. She is a 20 resident of Washington and resides in Mill Creek with her husband.