

Reverse Mortgage



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Reverse Mortgage: Noble Intentions, a Checkered Past

- First Reverse Mortgage issued in 1962
- Constructed to meet two needs:
 - 1) Keep homeowners in own home during retirement
 - 2) Provide additional income for older Americans
- Many loopholes
- Poorly regulated
- Federal Government revamped program in 1989

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Reverse 101 (cont.)

- There are no health, employment, or creditscore qualifying requirements.
- The amount of funds clients qualify for based on age of the youngest person on title, property value, and current interest rates.
- All applicants must pass FHA's reverse mortgage Financial Assessment.
- Funds may be obtained in a lump sum, monthly payments, a line of credit, or a combination of any of these options.

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The Four Nevers

- Principal or interest payments are **NEVER** due until reverse mortgage customers move, sell the home, or pass away.
- Reverse mortgage customers **NEVER** give up their property title.*
- Reverse mortgage customers can **NEVER** owe more than the sale price of the home.
- Borrower **NEVER** has to move.

*Taxes and insurance must be kept current, and the home maintained to FHA minimum standards.

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What properties are eligible?

Eligible properties include:

- Single-family homes
- Manufactured homes
- FHA-approved Condominiums
- One- to four-unit homes, as long as one unit is primary residence of borrower

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Realtor solves a huge problem for his family

PROBLEM:

- Realtor has friend whose parents are getting older and who eventually want to move in with him. The friend could not afford a bigger home.
- His home worth was \$300,000.00 and he owed around \$100,000.00. Parents' home was worth around \$250,000.00 with no mortgage. Friend found a new one-level home. New home's sales price was \$400,000.00.

SOLUTION:

- The parents took out a reverse mortgage which gave them a cash advance of \$181,000.00. They gave son \$150,000.00 for down payment on new home. Son then sold his home. He took the \$200,000.00 profit, plus the \$150,000 from his parents and purchased the \$400,000.00 home.
- 2 years later parents sold their home, paid off reverse mortgage, took the profit and moved in with their son.
- The realtor got 4 transactions due to his education about reverse mortgages:
 1. Listed the Friend's home
 2. Listed the Parents' home
 3. Sold the Parents' home
 4. Was the Buying Agent on the new home

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Reverse Mortgage: What's in it for you as a Real Estate Professional?

- Increase your role as a trusted advisor
- Broaden your client base
- Help aging clients realize financial goals
- Capture referrals and attract new clients
- SELL MORE HOMES

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Frequently Asked Questions

Will monthly reverse mortgage proceeds affect Social Security, Medicare, or Medicaid benefits?

They will not affect Social Security or Medicare benefits. Eligibility for needbased programs such as Medicaid or state assistance may be impacted.

Consult a tax or legal advisor or the local Area Agency on Aging for advice.

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Frequently Asked Questions

What if the value of my home increases?

No matter if - or by how much - your property appreciates in value, you pay, or your estate pays, only the outstanding balance due on your reverse mortgage at the time the home is sold. Any additional proceeds from the sale of your home belong to you or to your estate.

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Online Reverse Mortgage Information Resources

- National Reverse Mortgage Lenders Association
www.reversemortgage.org
- AARP Reverse Mortgage Website
www.aarp.org/revmort
- HUD Reverse Mortgage Website
<http://www.hud.gov/buying/reverse.cfm>
- National Council on Aging Reverse Mortgage Website
<http://www.ncoa.org/content.cfm?sectionID=250>

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Who is a qualified prospect to refinance with a Reverse Mortgage?

- At least one applicant must be aged 62 or better.
 - Applicants must own their home and use it as their primary residence.
 - Applicants must pass FHA's Financial Assessment
 - Applicants must complete a counseling session.
- HUD counselors are tasked with screening for competency, coercion, and questions.

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Reasons for sustained growth in Reverse Mortgages

- More information
- More accurate media coverage
- Better consumer education
- Consumer safeguards and regulations
- More need
- Seniors living longer
- Cost of living increasing
- More opportunity
- Home values have appreciated
- Interest rates remain low

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