# Home Equity Conversion Mortgage

## A Solution For You

# Support and Expertise
## YOU CAN TRUST

We understand you're looking for a solution for  your specific situation. GO Mortgage has a team of experienced Loan Officers and Loan Officer Assistants. We provide you with personalized guidance and education to ensure you understand your options throughout the entire lending process. While we have experience in all areas of mortgage lending, we are passionate experts when it comes to Home Equity Conversion Mortgage (HECM) programs. Our HECM Specialist, Jennifer Hall, leads the HECM program for GO Mortgage and will assist you through every step of the process. Through unparalleled, experienced & personalized service, our goal is to provide best in class, custom mortgage solutions that are supported well after close.

## Meet Our
### HECM SPECIALIST

## Hi, I'm Jennifer Hall.

I'm the HECM Specialist at GO Mortgage. Throughout my 20+ year career in the mortgage industry, my favorite part of the lending process has always been getting to know my clients and helping them meet their financial goals. I can't wait to see how this great program can benefit you and your family!

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# What is a HECM?

## History of the HECM

In 1961, the very first Reverse Mortgage was written for a widowed woman in Maine to enable her to stay in her home after the passing of her husband. The product continued to grow and gain support so much that in 1989, the first FHA-insured HECM (Home Equity Conversion Mortgage) was written. Over the life of the loan product, 60 years, the HECM has become a safe and continuously growing mortgage option for borrowers age 62+ looking to purchase a new home or refinance their current home. And, because the HECM is a non-recourse loan, you'll never owe more than your property is worth.

## HECM for the Home Buying

The HECM for purchase may be the right loan option for you if you want to:

- Experience more financial stability by improving your monthly cashflow
- "Right size" your home into a more appropriate home for your situation
- Plan for your future and eliminate concerns about leaving behind debt for loved ones
- Purchase your dream home with NO monthly mortgage payments

## How Does It Work?

With a down payment of 50-65% of the home purchase price from verified assets (see eligibility information on page 8), you will not be responsible for monthly mortgage payments.

## HECM for Home Refinancing

If you're not interested in moving but would still like to eliminate monthly mortgage payments, the HECM enables you to refinance your current home. The refinance option may be right for you if you want to:

- Experience more financial stability by eliminating your current mortgage payment
- Plan for your future and eliminate concerns about leaving behind debt for loved ones
- Stay where you're most comfortable: home sweet home

## How Does It Work?

Use the home equity in your current home to take money out in the following ways:

**One Lump Sum Payment**
All available funds are received at funding.

**Monthly Annuity**
A fixed amount of money received once a month. Amounts can change as needs change.

**Establish a Line of Credit**
Funds are drawn as needed from a line of credit.

**Use a Combination**
A combination of all of these options listed.

## What You Can Do With a HECM

### Buy the Dream
Buy the dream home that you never thought you could afford.

### Pay Off Expenses
Free up your cash for any other expenses you may have.

### Save Up
Save up for your dream vacation or any other purchases.

### Reinvest for Future
Enhance your retirement income and reinvest for the future.

# Three Ways to Finance
## YOUR HOME

### 1. Purchase with Cash

**Advantages:**

- No monthly principal and interest payments.
- Available equity in your home in case of emergency.
- Strong negotiating power when purchasing.

**Disadvantages:**

- Less liquidity. Having a mortgage frees up cash you may have otherwise invested in the purchase of your home.
- If the home loses value, it could eventually be worth less than you paid.
- May be difficult to access all of the equity in your home.

### 2. Traditional Fixed-Rate Mortgage

**Advantages:**

- Less money up-front initially.
- Principal and interest never change, keeping your monthly mortgage payment the same each month.
- Familiarity with the program.

**Disadvantages:**

- Recurring monthly mortgage payments, which can be a burden if income suddenly changes.
- If the home loses value, it could eventually be worth less than you paid.

### 3. HECM for Purchase

**Advantages:**

- No monthly mortgage payments (therefore increasing your disposable monthly income!)
- HECM loans are FHA insured, which means that it's a safe way to supplement your income while maintaining your financial security because FHA will step in if your Lender fails.
- Purchase your home without depleting a large portion of your savings, compared to paying cash.
- Closing costs are included in the mortgage.
- Frees up money (from no monthly mortgage payments) to invest, travel, spend on family or any unexpected expenses.
- Only responsible for paying property taxes, insurance, and any Homeowner Association fees, as well as property maintenance.

# Let's Compare!

## OPTION 1 | Purchase With Cash

- $300,000 purchase price
- No monthly principal and interest payment

## OPTION 2 | 30-Year Fixed Mortgage

- $60,000 down payment
- $1,289/month principal + interest payment
- 5% interest rate

## OPTION 3 | HECM for Purchase

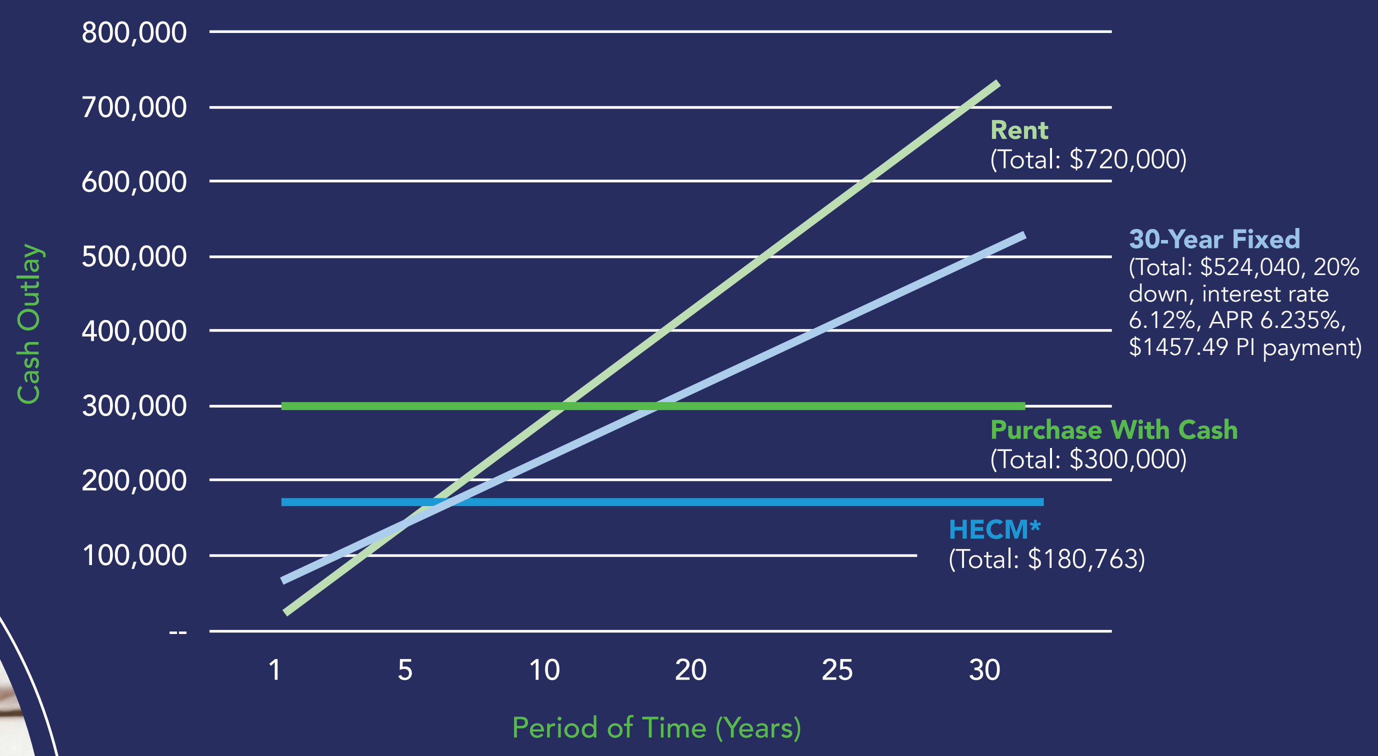
- $180,763 down payment
- No monthly mortgage payment
- 1-year CMT adjusting program with an initial rate of 5.485%. Maximum APR 10.57%.

## OPTION 4 | Rent

- Traditional first month's rent deposit $2,000*
- $2,000/month*

*Average rent of comparable homes*

### Cost of Purchasing a $300,000 Home Over a Period of 30 Years By Using Different Financing Options




*Calculation based on the youngest borrower age 70, with a purchase price of $300,000. The HECM loan balance becomes due when you move out of the home, the last remaining borrower passes away, or you are no longer using the home as your primary residence. You must also remain current with taxes, insurance, and any homeowner association fees. Actual closing costs may vary by state.

# HECM for Purchase
## DOWN PAYMENT CHART

**Example*:** $300,000 (purchase price) + 70 (age of youngest borrower) = **$180,763 total investment**

| Age of Youngest Borrower | Purchase Price | | | | | |
|---|---|---|---|---|---|---|
| | **$250,000** | **$300,000** | **$350,000** | **$400,000** | **$450,000** | **$500,000** |
| **62** | $166,233 | $198,583 | $229,763 | $261,963 | $293,663 | $325,363 |
| **66** | $158,363 | $189,163 | $219,963 | $250,763 | $281,063 | $311,363 |
| **68** | $154,363 | $184,363 | $214,363 | $244,363 | $273,863 | $303,363 |
| **70** | $151,363 | **$180,763** | $210,163 | $239,563 | $268,463 | $297,363 |
| **74** | $147,363 | $175,663 | $203,963 | $232,263 | $260,063 | $287,863 |
| **78** | $138,363 | $164,363 | $190,363 | $216,363 | $242,363 | $268,363 |
| **80** | $133,763 | $159,463 | $185,313 | $211,163 | $236,513 | $261,863 |
| **85** | $119,613 | $141,863 | $164,113 | $186,363 | $208,613 | $230,863 |
| | Down Payment | | | | | |

*This calculation is based on the youngest borrower using 1-year CMT, monthly adjusting program with an initial rate of 5.485%. Maximum APR 10.57% (Annual Percentage Rate) as of 7/25/22. Estimated fees range from $14,363 to $18,363 depending on the value of the subject property. Fixed rate options also available. This table shows the estimated borrower funds needed at closing from utilizing an FHA-Insured Home Equity Conversion Mortgage to purchase the home. This information is provided as a guideline and does not reflect the final outcome for any particular homebuyer or property. The actual borrower funds needed at closing are based on current interest rates and loan fees and subject to change without notice.

No principal or interest payment will be required as long as one borrower occupies the home as their primary residence and adheres to all HUD guidelines of the loan. The cost of any reverse mortgage loan depends on how long the loan is kept and how much the property appreciates in value. Generally, the effective cost decreases across the life of the loan.

The HECM loan purchase balance becomes due and payable when the last remaining person on the mortgage no longer maintains the property as their principle residence. Some examples of this could be when the last remaining borrower passes away, if you sell the home, or you are no longer using the home as the primary residence. You must also remain current with taxes, insurance, and any homeowner association fees, as well as maintain the property.

# Eligibility
REQUIREMENTS

## Borrower Eligibility

- You or your spouse is age 62+. If you are not married, all borrowers on the loan must be 62+ at the time of closing.
- The new home must be your primary residence.
- According to HUD guidelines, the down payment funds most come from verified assets (including, but not limited to, traditional bank accounts, investments, 401(k), CDs, money market account, money from the sale of the current home, or a gift.)

## Property Eligibility

- **Single-Family Home:** Existing or new construction
- **Condo:** Must be an FHA-approved community. If the community is not FHA-approved, steps can be taken for the community to be FHA approved.
- **PUD (Planned Unit Development):** Required to own the land, not just the dwelling
- **New Construction:** Requires Certificate of Occupancy prior to closing

**Tip:** If you're not sure if your property qualifies, ask our HECM specialist.

## Things to Look Out For

- **Unpaid federal liens:** If you have unpaid federal liens, the balance will need to be paid before qualifying for a HECM.
- **Foreclosure, Short Sale or Deed in Lieu:** If you have experienced a foreclosure, short sale or deed in lieu, there is a mandatory 3-year waiting period after any of these occur.
- **Current FHA Mortgage:** The HECM is an FHA government-insured loan. You cannot have two active FHA mortgages at the same time. If you have an FHA mortgage on your existing home, you will be released from that loan once the home is sold. At that time, you will be able to take advantage of the HECM to finance your new home.

**Tip:** To make sure you have a good understanding of the program, we recommend you meet with our HECM specialist.

## The HECM program offers many safeguards to protect you and your spouse.

- **Borrower Remains on the Title:** You always remain on the title of the home. It can also be possible to close the loan within a trust.
- **Asset Protection:** MMI (Mutual Mortgage Insurance) protects you as long as taxes, HOA dues and insurance are maintained.
- **No Maturity Date:** You and your spouse will have the right to occupy the home without a monthly mortgage payment for the rest of your life.
- **Borrower Can Always Remain in the Home:** You or your spouse can live in the same home until the last borrower vacates. In the event the sole surviving borrower has an extended stay in a nursing home or rehab facility for a year or longer, it is possible for the loan to be called due and payable.
- **No Pre-Payment Penalty:** If the loan is paid off before the last borrower vacates the property, there are no fees or additional costs.
- **Independent HUD Counseling:** An independent, third-party - HECM counselor will guide you through a counseling session to make sure all your questions are answered and you're comfortable before moving forward. This important part of the process is required by HUD.

# What's Next?

**Thinking about getting a Home Equity Conversion Mortgage? We recommend you speak with our HECM Specialist to learn more about the program first, before you decide whether the HECM program is right for you.**

## Let's Meet

Contact Jennifer to schedule a meeting. She'll make sure all your questions are answered, tell you what you can expect throughout the process, and secure your preapproval letter.

## Start Searching!

This is the fun part. Start looking for the home of your dreams! Make sure the home is eligible (single-family, condo, etc.) and meets the FHA minimum standards.

## Down Payment

Confirm the down payment amount  you will need to bring to closing.

## Counseling & Final Review

Take a final look at all the numbers for your HECM, and make sure to complete your HUD-required HECM counseling.

## Close on your NEW home!

Congratulations on your new home!

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# Frequently Asked Questions

### How will my loan eventually be paid?

Your reverse mortgage loan is repaid when the last borrower leaves the home or passes away. What typically happens is that the home is sold and the proceeds pay back the reverse mortgage loan. Any remaining equity after the loan is repaid goes to you or your heirs. If your heirs choose to keep the home instead, they can pay back the reverse mortgage loan in other ways, such as refinancing to a conventional mortgage.

### Are reverse mortgages a last resort option only?

No, this is a misconception. When used wisely, a reverse mortgage can be a very powerful and intelligent strategic financial planning tool. There is no better product more readily available to the senior population in terms of supplementing retirement income and managing retirement risks. However, the reverse mortgage should be evaluated and customized to your particular needs.

### What if I outlive the loan?

The loan is not due unless you default on paying any of your obligations such as taxes, insurance, and basic maintenance. But if you fulfill these obligations, you may continue living in the home for as long as you wish without making payments toward the loan.

### What happens if my home gains value?

If your home gains value, then your equity increases. If your home is sold and the reverse mortgage is paid back, there could be more funds left over that would go to you or your heirs. You also have the option to refinance to pull out the additional gained equity in your home.

### What can I use my reverse mortgage funds for?

Your funds can be used for just about anything. Most common uses include:

- Paying off existing mortgages (required)
- Paying for medical bills
- Paying other debts, credit cards, and bills
- Home repair and improvement expenses
- Paying property taxes and home insurance
- Increasing monthly cash flow
- Supplementing your retirement portfolio
- Deferring accessing Social Security to qualify for maximum benefits
- Traveling
- Helping family members and spoiling grandchildren
- Having fun and enjoying retirement

### What can't I use the money for? Are there any limitations for my funds?

There are no limitations; you can use your funds for anything you choose.

### What if my loan amount ends up exceeding the value of my home?

Reverse mortgages are non-recourse loans. What this means for your heirs is that after the last borrower leaves the home, the proceeds from the sale of the home are the only asset that can be taken to pay the loan's balance. If somehow the loan's balance ends up surpassing the value of the home, the difference is covered by the Federal Housing Administration's (FHA) insurance fund. However, if your heirs wish to keep the home, they may choose to do so by paying off the full loan in full.

## What happens to the loan if the lender goes out of business?

If the lender goes out of business, your loan terms will not change. HECM reverse mortgage loans are covered by the government insurance. You will still receive your agreed-upon disbursements.

## What happens if I pass away during my loan before I receive the full amount of my loan?

If you pass away during your loan, any part of your loan that hasn't yet been sent to you remains as equity in the home that becomes part of your estate. What immediately happens to a reverse mortgage after death is that it becomes due, and then the heirs are given at least 6 months to sell the home. They also have the option to keep the home by paying off the reverse mortgage loan. Otherwise, the home is sold and the proceeds first pays off the mortgage loan, and the rest goes to the heirs.

American Advisors Group (AAG). (2019). Common Questions for a Reverse Mortgage Loan. Retrieved from https://www.americanadvisorsgroup.com/about-reverse-mortgages

# Notes

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