

YOUR LOGO

COMPANY NAME
P.O. BOX 1234
YOUR TOWN, STATE ZIP

**CALL TODAY! Toll Free:
800-123-4567**



Commonly Asked Questions and Answers About Reverse Mortgages



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Brought to you by YOUR COMPANY NAME

Introduction:

The first reverse mortgage was closed in 1961 in Portland, Maine. Since 1961 reverse mortgages have evolved and grown to be one of the most useful financial tools available to our senior population.

The overall popularity of a reverse mortgage is expected to continue its rapid growth. Initially reverse mortgages were used as a 'need' solution. However, today they are being utilized for a number of reasons including retirement planning, investing, long term care, medical needs, home repairs, vacations, etc. Reverse mortgage proceeds can be used in any manner you choose. It's your money and you have the right to use it as you wish.

One comment often heard is, "A reverse mortgage sounds too good to be true." It's understandable to feel that way, but in reality the benefits associated with a reverse mortgage are true. You never have to make a payment as long as it is your principal residence.

On the following pages, many of your questions and concerns will be answered. We want you to be fully informed and encourage you to contact us with any additional questions.

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Q: Will my heirs owe anything to the mortgage lender if I die?

A: Upon your death, the loan balance, consisting of payments made to you or on your behalf plus accrued interest, becomes due and payable. Your heirs may repay the loan balance by selling the home or by paying off the HECM loan so that they may keep the home. If the loan balance exceeds the value of your property, your heirs will owe no more than the value of the property. FHA insurance will cover any balance due the lender. No additional financial claims may be made against your heirs or estate.

Q: What if I decide to sell my home?

A: If you choose to sell your home, the outstanding loan balance becomes due and payable to the mortgage lender. You will pay the loan balance with proceeds from the sale of your home. You or your estate will receive all proceeds exceeding the loan balance.

Q: Can I sell my home to my children and continue to live in it?

A: If you sell your home to your children or any other individual, the HECM will be due and payable at settlement. After the loan is repaid, any arrangement for your continued occupancy of the property must be made with the new owners.

Q: What are some of my responsibilities as a homeowner with a reverse mortgage?

A: To keep your real estate taxes and homeowners insurance current and to properly maintain your home so that its value does not diminish.

Q: Where can I apply for a Reverse Mortgage?

A: You can call our trained professional senior advisors. We will be happy to arrange a convenient time for your appointment.

Q: Who is eligible for a Reverse Mortgage?

A: Homeowners, must be at least 62 years old. You can either own your home free and clear or have an outstanding mortgage balance that will be paid off at loan closing. The home must be your principal residence. Your home must be a single-family or two- to four-unit dwelling. Units in condominiums or Planned Unit Developments (PUDs) may be eligible if they are in FHA-approved developments. Consult with our advisors for more details. You also must participate in mortgage counseling from a HUD approved counseling agency. Counseling can be taken over the phone and usually takes less than one hour. Family members are strongly encouraged to attend the counseling session. A list of HUD approved counseling agencies will be provided to you during your consultation.

Q: What is the maximum amount that I can borrow?

A: The maximum amount you can borrow is based on a HUD formula that factors in the age of the youngest borrower, the interest rate, and the Maximum Claim Amount. The Maximum Claim Amount is the lesser of the appraised value of your house or the maximum principal amount for a one-family residence that can be insured by FHA in your area. The maximum mortgage amount insured by FHA varies by geographic area and changes frequently. Please check with our advisors for the FHA maximum mortgage amount for your area, or visit HUD's website at www.hud.gov. Approved legislation may simplify this amount and create a single limit.

Q: What types of payment plans are available with the Reverse Mortgage loan?

A: In most states, a borrower with a HECM may choose among five payment plans: term, tenure, modified term, modified tenure, and a line of credit. You may change payment plans at any time and as often as you like for a small fee.

- 1) Term option: You will receive equal monthly payments for a fixed period of time selected by you.
- 2) Tenure option: You will receive equal monthly payments for as long as you occupy your home as a principal residence.
- 3) Line of Credit option: You may draw any amount of funds at any time, as long as it does not exceed maximum line of credit.
- 4) Modified Tenure Plan: Allows you to set aside a portion of loan proceeds as a line of credit and receive the rest in the form of equal monthly payments as long as you occupy your home as a principal residence.



- 5) Modified Term Plan: Allows you to set aside a portion of loan proceeds as a line of credit and receive the balance as equal monthly payments for a fixed time period as specified by you.

Selecting any of these plans will never require repayment as long as you own and occupy the home as your primary residence. This is true even if you draw the entire amount available to you.

Q: How will the amount of the monthly payment be calculated?

A: How much you can receive in monthly payments depends on the age of the youngest borrower, the interest rate and the Maximum Claim Amount (defined on Page 3).

Q: Will reverse mortgage payments affect my Social Security, Medicare or Supplemental Security Income (SSI).

A: Reverse mortgage payments do not affect your Social Security or Medicare benefits because those benefits are not based on the assets of the recipient. However, in the federal Supplemental Security Income program, beneficiaries must keep their liquid resources under certain limits. If you do not spend HECM advances in the month received, then such funds are considered part of your liquid resources and may adversely affect your eligibility for SSI.

Regulations vary for state-administered programs such as Medicaid, Aid for Dependent Children (AFDC), and food stamps. Therefore, we suggest that you consult a benefits specialist at your local Area Agency on Aging or the local offices for these programs to determine how reverse mortgage payments may affect your particular situation.

Q: Are there any costs associated with a reverse mortgage?

A: Yes, there is an origination fee, other closing costs, and a mortgage insurance premium, which is divided into two parts: an up front premium of 2 percent of the Maximum Claim Amount, and an annual, ongoing fee of 1/2 percent on your mortgage balance. You may be able to finance the origination fee, other closing costs, and the up front 2 percent mortgage insurance premium. In addition to the yearly insurance premium, a servicing fee is charged to your loan balance each month. This fee is to administer your loan.

Q: Can I be forced to sell or vacate my home if the money I owe on the loan exceeds the value of my home?

A: No, not as long as you continue to occupy the property as a principal residence and continue to make timely homeowner's insurance and property tax payments. You cannot be forced to sell or vacate the property, even if your loan balance, the total of the HECM plan to you plus interest and mortgage insurance premiums over the life of the loan, exceeds the value of the property. FHA insurance covers any further financial obligation to the lender.



Home Equity Conversion Mortgage (HECM) Questions & Answers About Reverse Mortgages



Q: What is a HECM? (Commonly known as a Reverse Mortgage)

A: A HECM (commonly referred to as a reverse mortgage) is a special type of mortgage that enables homeowners age 62 or older to utilize the equity in their homes. It can provide the maximum amount of flexibility to address your particular financial needs – whether it is a lump sum or a stream of regular payments to supplement your monthly income. Unlike traditional home equity loans, **no repayment of the HECM loan is required until you no longer occupy the home as your principal residence.**

With a Reverse Mortgage you borrow against the value of your home, and receive loan proceeds according to the payment plan that you select. These plans are described on the following pages. As a borrower, you are permitted to change payment plans at any time after origination. You may change payment plans as many times as you wish. When you sell your home or vacate it for other reasons, the loan balance, which includes the total amount you borrowed plus accrued interest and mortgage insurance premiums, is due and payable. This loan balance is paid in full from the proceeds of the sale of your home. All proceeds in excess of this loan balance belong to you or your estate.