FHA (HECM) Home Equity Conversion Mortgage
Adjustable & Fixed Rate

What is a Reverse Mortgage?
A Reverse Mortgage is a federally regulated program for homeowners, aged 62 and older. It allows the equity in your home to pay you rather than you paying for the home.

What is a Government Insured HECM program?
HECM stands for Home Equity Conversion Mortgage. It is a federally insured and guaranteed program. The HECM is a safe way for you to access the equity in your home without ever making a mortgage payment.

How is this Program "Safe" for Senior Homeowners?
No matter what happens in the economy, how much money you receive, or how long you live in your home you will never be required to make a mortgage payment. In addition, no matter what happens to your lender or your home's value you have guaranteed access to your money.

Who owns the home if I take a Reverse Mortgage?
You own the home. However, you pledge the home as collateral.

What happens if, in the future, the Loan exceeds the Value of the Home?
Your Reverse Mortgage will continue - thanks to the federal insurance. The line of credit will still be available and monthly disbursements you may have set up, will still be sent to you.

How are Reverse Mortgages different today?
Today's reverse mortgages are highly regulated by State and Federal laws to make them safe and to protect you. Among others, the following regulations apply:
- You retain title of the home.
- No equity share is allowed, meaning the lender does not slowly take over your home.
- Fees and costs are federally regulated.

How does a Reverse Mortgage compare to a Conventional Mortgage?
In a conventional forward mortgage, you make monthly payments to the bank eventually paying off the mortgage over time. With a reverse mortgage you receive cash from your lender, as lump sum upfront, as monthly installments or as a line of credit that grows over time. As long as you live in your home you never have to pay off a single dollar of the loan.

What restrictions apply to the cash I receive from a Reverse Mortgage?
It is your money and you can use it the way you want. It's non-taxable and does not affect Social Security payments. We do recommend that you talk to a competent financial advisor to determine the effect on any other benefits you may be receiving.

When does a Reverse Mortgage become due and what happens then?
When you no longer live in your home or when you pass away, the reverse mortgage becomes due. You or your heirs have two options:
1) Pay off the reverse mortgage including the accrued interest and retain ownership.
2) Give up ownership of the home and receive the difference between the net sales proceeds and the loan balance. You **<u>will not</u>** be liable for any shortfall if the sales proceeds do not cover the loan.
Your loan may also become due and payable if you do not continue meeting the terms of the loan (For example, paying taxes and insurance owed on the property.)

What are my obligations under a Reverse Mortgage?

With a Reverse Mortgage you retain title to your home. This means that you also have all your obligations as a home owner. You are responsible for home owner taxes and insurances.

Types of Reverse Mortgages

There are three types of reverse mortgages shown in the chart below.

Single Purpose reverse mortgage:
Typically offered by state and local government agencies to be used in only one specific way, for example, home repairs.

Proprietary reverse mortgage:
Can be used for any purpose and may be suitable for borrowers with high cost homes.

Home Equity Conversion Mortgage (HECM):
Can be used for any purpose and is **Insured by the US Federal Government.**

Payment Plan Options

There are several types of HECM loan plans available, including monthly and annually adjusting interest rate loans as well as fixed interest rate loans. Borrowers can decide to take a line of credit with flexible draw down options, a term loan with fixed monthly payments for a specified number of years, or a tenure plan with guaranteed payments for life or a combination of these options.

Choosing a Reverse Mortgage to Meet your Needs

HECM payment plans are flexible. The best payment plan for you will depend on your current and future financial needs and circumstances. For example: *If you have a small balance on your existing mortgage and would like to pay it off with the reverse mortgage*, a line of credit plan would allow you to draw all the funds at loan closing and pay off the current mortgage; *If you need a set amount of money every month to supplement your income to help meet monthly expenses*, then a tenure or term payment plan might be a suitable option for you. *If you know you will have some large health care expenses in the near future and want to have the funds available when needed*, a line of credit may also meet your needs. Your reverse mortgage counselor will discuss your goals for a reverse mortgage with you and will explain the different options available to help meet your needs.

Costs to Obtain HECM

Costs associated with HECMs are generally higher than those for "forward" mortgages used to purchase a home. Although, the cost categories are the same as you would see for a traditional "forward" mortgage. These costs include lender fees to originate the mortgage, servicing fees for ongoing administration of the loan and interest on the money you use from the loan. There are also closing costs, which include all the usual and customary expenses associated with obtaining a mortgage, for example, the appraisal, title searches and insurance. HECMs also include a fee for FHA mortgage insurance.

Impact on Tax/Social Service Benefits

Reverse mortgage loan advances are not taxable and do not affect Social Security or Medicare benefits. However, you must be careful that any loan proceeds you retain do not exceed the monthly liquid resource limits for Supplemental Security Income (SSI) and Medicaid, which may be impacted by your HECM payments.

For additional information please contact our HECM Specialist:
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