

Reverse Mortgage Loans

What you need to know.





Presented by: Rob Kanyur at Fairway Independent Mortgage

SVP Fairway HECM Lending Division
Branch Manager & Retirement Mortgage Specialist
602-REVERSE | www.ReverseRob.com

What You'll Learn

- Introduction To Reverse Mortgages
- Loan Qualifications & Options
- Using Your Reverse Mortgage
- Loan Maturity
- Why Fairway



Introduction To Reverse Mortgages



What is your opinion of Reverse Mortgages?



What is your opinion of Reverse Mortgages?

They're great!



What is your opinion of Reverse Mortgages?

They're great!

I've heard some bad things about them — I'm here to learn the facts.

Are You 62 or Older & Concerned About ...

- Market volatility and inflation
- Outliving your savings
- Making monthly mortgage payments in retirement
- Not being able to continue to live in your home in a safe, sustainable way

A reverse mortgage loan could be the solution.

What is a Reverse Mortgage Loan?

- A home loan exclusively for older adults
- Converts a percentage of your home equity into tax-free* cash
- No required monthly principal and interest mortgage payments
- Must continue paying property charges, like taxes and insurance



*This advertisement does not constitute advice. Please consult a tax advisor regarding your specific situation.

What is a

Home Equity Conversion Mortgage (HECM)?

- A loan program launched in 1989 — now includes many amendments improving consumer protections
- The most-used reverse mortgage in the U.S.
- The only reverse mortgage insured by the Federal Housing Administration (FHA)
- Exclusively for those 62 and older



Aren't Reverse Mortgages

Just a Loan of Last Resort?

NO! Today's reverse mortgages have wide appeal, including among affluent older adults.



Aren't Reverse Mortgages

Just a Loan of Last Resort?

Primary reasons to get a reverse mortgage:

Need

To address an urgent need, like paying for in-home care



Aren't Reverse Mortgages

Just a Loan of Last Resort?

Primary reasons to get a reverse mortgage:

- Lifestyle Enhancement**
To pay for things not in the budget, like travel



Aren't Reverse Mortgages

Just a Loan of Last Resort?

Primary reasons to get a reverse mortgage:

- Financial Planning**
To maximize cash flow, reduce taxes and minimize risks*

*This advertisement is not constituting advice. Please consult a tax advisor regarding your specific situation.



Reverse Mortgage Pros & Cons

PROS

- Source of cash flow
- No monthly mortgage payments
- Must still pay taxes, insurance and maintain the home
- Non-recourse loan



Reverse Mortgage Pros & Cons



CONS

- Minimum age requirement
- Interest and fees chip away at home equity
- Must be your primary residence

Reverse Mortgage Myths

Debunked

Myth: The bank will own my home.

Fact: You own the home and remain on the title as long as you meet the loan terms.

Reverse Mortgage Myths

Debunked

Myth: I must own my home free and clear to qualify for a reverse mortgage.

Fact: If you have sufficient equity, you can pay off any existing mortgages at closing using loan proceeds.

Reverse Mortgage Myths

Debunked

Myth: My heirs will be stuck with a big bill.

Fact: You, or your heirs, will never owe more than the value of the home after the loan matures and the home is sold.

The Three Little Piggy Banks



The Three Little Piggy Banks



The Three Little Piggy Banks

#3
Monthly Income + Nest Egg + Home Equity
 Access tax-free cash from home equity

Optimized Strategies

Retirement Risks

- Inflation
- Stock Market Volatility
- Healthcare Needs
- Spending Surprises
- Longevity (Long Life Lived)

*This presentation does not constitute tax or financial advice. Please consult a tax advisor or financial advisor regarding your specific situation.

Building a Sturdy Retirement

Include Home Equity in Your Retirement Cash Flow Strategy Using a HECM Loan to Potentially:

- Improve cash flow (access equity as cash / no monthly mortgage payments, so long as the borrower lives in the home, maintains it and pays property charges, like taxes and insurance)
- Mitigate retirement risks*
- Preserve nest egg (coordinate the use of home equity and nest egg to meet spending goals and still preserve as much legacy as possible*)

The piggy bank of home equity can help protect your “happily ever after.”

*This presentation does not constitute tax or financial advice. Please consult a tax advisor or financial advisor regarding your specific situation.

Ask Yourself...Why wouldn't you get a Reverse Mortgage?

“Used strategically, a reverse mortgage can greatly improve the sustainability of your retirement income.”



- Wade Pfau, Ph.D.

Loan Qualifications & Options




Who Qualifies?

- Must be 62 or older
- Must be the homeowner
- Must own the property outright or have significant equity
- Must use the home as a primary residence
- Must meet minimum credit and income requirements



What are the eligible property types?


- Single-family residences
- 2- to 4-unit properties (borrower must occupy one unit)
- Townhomes
- Condos in a HUD-approved condominium project
- Condo units that qualify for single-unit approval (SUA)
- Planned unit developments (PUDs)
- Modular homes
- Manufactured homes that meet FHA requirements



How much home equity do I need?

You'll need roughly (at least) 50% home equity to qualify for a reverse mortgage.

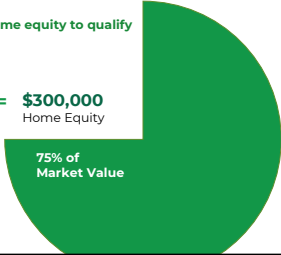
\$400,000 - **\$100,000** = **\$300,000**
 Home Market Value Mortgage Home Equity




How much home equity do I need?

You'll need roughly (at least) 50% home equity to qualify for a reverse mortgage.

\$400,000 - **\$100,000** = **\$300,000**
 Home Market Value Mortgage Home Equity



75% of Market Value




How much home equity do I need?

You'll need roughly (at least) 50% home equity to qualify for a reverse mortgage.

\$400,000 - **\$100,000** = **\$300,000**
 Home Market Value Mortgage Home Equity

DID YOU KNOW?
 The borrower can bring funds to closing to make up for any shortfall in home equity.



How can I take my Reverse Mortgage Loan proceeds?

How can I take my Reverse Mortgage Loan proceeds?



How can I take my Reverse Mortgage Loan proceeds?



How can I take my Reverse Mortgage Loan proceeds?

A Line of Credit

How can I take my Reverse Mortgage Loan proceeds?

Both Monthly Advances and a Line of Credit

How much money can I get with a Reverse Mortgage?

The amount of money you can get depends on:

- Age of the youngest borrower (or non-borrowing spouse)
- The interest rate you get on your loan
- The lesser of your home value or the HECM loan limit of \$1,089,300

*HECM Any mortgage/loans on the home must first be paid off in full — borrowers typically use reverse mortgage loan proceeds at closing to pay off an existing mortgage.

Reverse Mortgage Line of Credit Growth



62-year-old Borrower

- Home Value: \$600,000
- Available LOC: \$223,506

Borrower at Age 89

- Home Value: \$1,024,132
- Available LOC: \$1,026,643

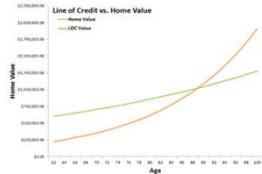
Reverse Mortgage Line of Credit Growth

62-year-old Borrower

- Home Value: \$600,000
- Available LOC: \$223,506

Borrower at Age 89

- Home Value: \$1,024,132
- Available LOC: \$1,026,643



This information is provided as a guideline; the actual reverse mortgage loan available funds are based on current interest rates, current charges associated with the borrower's debt and applicable closing costs. Interest rates and fees may vary subject to change without notice. *This advertisement is neither a financial advice. You should consult a tax and/or financial expert for your specific situation.

Client can withdraw from the LOC and reinvest back tax-free at any time*

Common Uses of a HECM

- Refinance a standard mortgage to eliminate monthly mortgage payments. Property charges, like taxes and insurance, must still be paid.
- Use the available line of credit as standby portfolio protection.

For example:

You could use a reverse mortgage to enhance your cash flow in economic downturns, which could make your investments last longer while possibly protecting your net worth.*

*This advertisement does not constitute financial advice. Please consult a financial advisor regarding your specific situation.

Common Uses of a HECM

- Increase cash flow to close a retirement income gap
- Get the most lifetime value from Social Security benefits*
- Help family now or donate to charitable organizations
- Use as a wealth multiplier to potentially pass a larger nest egg to the next generation*
- Pay for home renovations, in-home care or other big-ticket expenses
- Pay for long-term care insurance premiums

*This advertisement does not constitute financial advice. Please consult a financial advisor regarding your specific situation.

Average Costs of Long-term Care

Home Health Care	Assisted Living Facility	Nursing Home Care
\$59,488 Annually	\$54,000 Annually	\$108,405 Annually (Private)
<ul style="list-style-type: none"> • Alzheimer's care • Meal prep and diet monitoring • Light housekeeping • Errands or shopping 	<ul style="list-style-type: none"> • Private apartments • On-site nursing • Help with daily living • Help with medication 	<ul style="list-style-type: none"> • Full-time in-facility care • Advanced LTC • Therapy, rehabilitation and medication • Skilled 24-hour nursing

Medicaid only pays for shared rooms

- 95% of people have no Long-term Care (LTC) insurance
- Over 50% will need LTC insurance

Source: Genworth 2021 Cost of Care Survey

How Is a Reverse Mortgage Used for Financial Planning?



A HECM can help you to:*

- Keep your adjusted gross income low
- Make your traditional retirement funds last longer
- Hedge against market risk or sequence-of-returns risk
- Insure against longevity or pay for long-term care
- Maximize other retirement contributions

*This advertisement does not constitute financial advice. Please consult a financial advisor regarding your specific situation.

Incorporating Home Equity Into Retirement Income Strategy

Why 62, not 82, may be the best time to secure a Reverse Mortgage

Sacks & Sacks Coordinated Strategy	<p style="color: #008000; font-size: small;">Open HECM line of credit early</p> <p>78% Cash Flow Survival Rate 4% Post-tax Initial Withdrawal Rate based on 32-year investment return</p>
Home Equity Last Resort Conventional Passive Strategy	<p style="color: #008000; font-size: small;">Delay opening a line of credit until portfolio is depleted</p> <p>60% Cash Flow Survival Rate 4% Post-tax Initial Withdrawal Rate based on 32-year investment return</p>
At 4% Post-tax Initial Withdrawal Rate, ignoring home equity, cash flow survival probability is 35%	Ignore home equity

*This advertisement does not constitute financial advice. Please consult a financial advisor regarding your specific situation.

Incorporating Home Equity Into Retirement Income Strategy

SOURCE: PhD, FPA, Wealth. "The Retirement Investor's Guide Series: Reverse Mortgages: How to Use Reverse Mortgages to Secure your Retirement"

*This advertisement does not constitute financial advice. Please consult a financial advisor regarding your specific situation.

Top Consumer Protections

- Borrowers must receive counseling from a U.S. Dept. of Housing and Urban Development (HUD)-approved agency
- Initial disbursement limits
- Financial assessment
- Non-borrowing spouse protections – due and payable status may be deferred
- Line of credit is secure and unused line of credit grows, regardless of home value
- Non-recourse feature

Can a Reverse Mortgage be used to buy a home?

Yes, through the Home Equity Conversion Mortgage for Purchase (H4P) Program.

- Upsize, downsize or rightsize into your ideal home
- Move closer to the grandkids!
- Put as little as 45%-65%* of the purchase price down from your funds
- Keep more of your retirement assets to use as you wish, compared to paying all cash
- No required monthly mortgage payments. Must pay property charges, like taxes and insurance



* The required down payment on your new home is determined a number of factors, including your age (or eligible non-borrowing spouse's age, if applicable), current interest rates, and the loan-to-value (LTV) of the home's appraised value or purchase price.

What Are Proprietary Reverse Mortgages?

Proprietary, or private, reverse mortgages are investor-owned reverse mortgage products.

They cater to older-adult homeowners who:

- Have a very high property value (\$1 million+)
- Live in a non-FHA approved condo complex
- Are younger than 62
- Want to avoid mortgage insurance premiums (MIP)



Loan Maturity



What Causes the HECM Loan To Be Due and Payable?

- Sell your home
- Transfer the title to someone else
- Last surviving borrower moves out permanently
- Default on the loan terms
- Last surviving borrower passes away



How Is the Loan Balance Repaid?

Loan IS NOT YET due and payable

Borrower can pay as much or as little toward the loan balance each month as they wish.

OR

Borrower can make no monthly payments at all (must pay property charges, like taxes and insurance).



How Is the Loan Balance Repaid?




Loan IS due and payable
Loan is typically satisfied via the **sale of the home.**

HECMs are non-recourse loans — the sale of the home will always satisfy the loan repayment obligation. Neither the borrower nor their heirs will be personally liable for any balance deficiency.

Options for heirs who inherit a Reverse-mortgaged home




Options for heirs who inherit a Reverse-mortgaged home



		Is there any equity left?	
		Yes	No
Do heirs want to keep the home?	Yes	Pay off or refinance the loan balance	Purchase the home with a short payoff of 95% of the appraised home value
	No	Sell the home and pocket any profits	Sign a deed-in-lieu of foreclosure and walk away from home

Why Fairway



Why Fairway?

- We are a national, full-service lender with high customer satisfaction scores.
- As an FHA-approved lender, we are able to sell HECM reverse mortgages.
- We're dedicated to educating consumers and their family members, financial advisors and real estate agents on the pros and cons of reverse mortgages.
- We're committed to providing you with an AMAZING experience – from loan application to closing, and beyond.

Fairway at a Glance

Over **27 YEARS** OF SERVICE, SPEED & SATISFACTION Since 1996

LICENSED IN ALL 50 STATES

6,800+ TEAM MEMBERS

2,000+ PRODUCERS

650+ BRANCH OFFICES*

\$42+ BILLION VOLUME IN 2022

#2 HECM FOR PURCHASE VOLUME

#3 RETAIL HECM VOLUME LENDER

*Excludes satellite locations (FY 2022 | Source: Reverse Mortgage Insights)

FAIRWAY
INDEPENDENT MORTGAGE CORPORATION

Thank You!

Copyright © 2023 Fairway Independent Mortgage Corporation ("Fairway"/NMLSR2288). <http://nmlsconsumeraccess.org/EntityDetails.aspx?company=2288>, 4750 S. Blinnere Lane, Madison, WI 53716, 1-866-914-4800. All rights reserved. Fairway is not affiliated with any government agencies. These materials are not from HUD or FHA and were not approved by HUD or a government agency. Reverse mortgage borrowers are required to obtain an eligibility certificate by receiving counseling assistance with a HUD-approved agency. Youngest borrower must be at least 62 years old. Your monthly reverse mortgage advances may affect your eligibility for some other programs. At the conclusion of the terms of the reverse mortgage loan contract, some or all of the equity in the property that is the subject of the reverse mortgage no longer belongs to you and you may need to sell or transfer the property to repay the proceeds of the reverse mortgage with interest from your assets. We will charge an origination fee, a mortgage insurance premium, closing costs or servicing fees for the reverse mortgage, all or any of which we will add to the balance of the reverse mortgage loan. The balance of the reverse mortgage loan grows over time and interest will be charged on the outstanding loan balance. You retain title to the property that is the subject of the reverse mortgage until you sell or transfer the property and you are therefore responsible for paying property taxes, insurance, and maintenance and related taxes. Failing to pay these amounts may cause the reverse mortgage loan to become due immediately and may subject the property to a tax lien or other encumbrance or to possible foreclosure. Interest on reverse mortgage is not deductible to your income tax return until you repay all or part of the reverse mortgage loan. This is not an offer to enter into an agreement. Not all customers will qualify. Information, rates and programs are subject to change without notice. All products may subject to credit and property approval. Other restrictions and limitations may apply. Fairway is required to provide the following financing information: AZ License #BR-0924182, Licensed by the Department of Business Oversight under the California Finance Lenders Law. Loans made or arranged pursuant to a California Finance Lenders Law License. Real Estate Broker - CA Bureau of Real Estate Company License #0137174, Georgia Residential Mortgage License, CA Mortgage Lender License #011158, Fairway Independent Mortgage Corporation is not a holder for reverse mortgage products in the State of Massachusetts. Illinois Residential Mortgage License, MA Mortgage Broker License #RMC220, Licensed Nevada Mortgage Lender. Licensed by the NJ Department of Banking and Insurance, Licensed Mortgage Broker - N.J.B. Department of Financial Services, TX Location: 1800 Golden Post, Carrollton, TX 75011.
