

Reverse Mortgage Basics

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1-800-290-3521 Extension 415
A Connecticut Company

What is a reverse mortgage?

- The reverse mortgage is a safe and easy way for seniors to turn their home's equity into an additional source of income to meet any financial need.
- It is a loan that is available to senior homeowners who are at least 62 years of age.
- Unlike traditional home equity loans, this product does not require repayment of any kind until the home is sold, or the borrower permanently leaves their primary residence.

How do you qualify for a reverse mortgage?

- Borrowers need to be at least 62 years of age,
- Own their home, and live in their primary residence.
- In addition, there are no income or credit qualifications necessary to be eligible for this loan.

How are the proceeds paid?

- Lump Sum
- Monthly (Tenure) Payments - for Life of Loan
- Term Payments – for specific period of time
- Line of Credit – with growth
- Modified Tenure – Combination of Monthly Payment and Line of Credit

Are there any limitations on the proceeds?

Reverse mortgage borrowers may use the proceeds for whatever they wish:

- Pay off debt, including mortgage and credit cards
- Make needed home repairs
- Pay for home health care
- Make additional retirement investments
- Purchase Long Term Health Insurance
- Travel
- Help grandchild with college expenses

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Why consider a Reverse Mortgage?

- No repayment until home is sold or borrower permanently moves.
- Unlocks the equity built into home
- No income or credit qualifications
- Proceeds received as tax-free income
- Interest is paid at time loan is repaid – not during loan
- FHA Insured or Fannie Mae Guaranteed
- Flexible payment options
- Growth on credit line option
- No debt passes to heirs

What factors determine the amount received?

How much a borrower acquires from the reverse mortgage depends upon:

- Age
- Current interest rates
- The value of their home.
- The older the borrower and the higher the home value, the more money they are eligible to receive.

Exactly how “safe” is the reverse mortgage?

Reverse mortgages are a very safe income option for senior homeowners.

- Borrower(s) name remains on title
- Debt owed on loan does not pass to heirs
- Borrower will never owe more than the loan balance or value of property whichever is less
- Strictly regulated by government and industry associations like AARP and NRMLA (National Reverse Mortgage Lenders Association)

Common Misconceptions

There are several misperceptions surrounding the reverse mortgage.

- **“The lender takes the home”** – this is incorrect because the homeowner retains full ownership and the reverse mortgage is a lien.
- **“I can be thrown out of my home”** – this is untrue because the homeowner can stay in their home for as long as they wish.
- **“I can owe more than my home is worth”** – the homeowner can **never** owe more than the value of their home

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Types of reverse mortgage programs.

- FHA Home Equity Conversion Mortgage “HECM”
- Fannie Mae “Home Keeper” Mortgage
- Cash Account.

What are the borrower responsibilities?

- Attend free, but required counseling session by FHA or Fannie Mae approved counselor
- Maintain property
- Continue to pay taxes and insurance on property
- Enjoy the peace of mind from having “Campbell Mortgage”

Reverse Mortgage Interest Rates

BORROWERS WILL NOT LOCK-IN AN INTEREST RATE UNTIL THE WEEK OF CLOSING.

Home Equity Conversion Mortgage (HECM)

HECM EXPECTED INTEREST RATE IS ONLY USED TO DETERMINE AVAILABLE EQUITY TO THE BORROWER

Monthly ARM

- 1-yr T bill + margin (1.50)
- No annual cap
- Lifetime cap = 10% above initial rate

Annual ARM

- 1-yr T bill + margin (2.10)
- 2% annual cap increase
- 5% lifetime cap increase

Home Keeper:

Monthly ARM

1-month CD index + margin (3.40)

Lifetime cap = 12% above initial rate

Cash Account:

Six Month ARM

6-month LIBOR index + margin

(5.0) Standard and (4.0) High Benefit

Eligible property types

- Single Family Residence – HECM, HK and C.A.
- Planned Unit Development (PUD) – HECM, HK and C.A.
- 1-4 unit Property, as long as borrower occupies 1 unit – HECM & C.A.
- Condo, FHA & FNMA approved

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Appraisal requirements

- HECM – Must use FHA approved appraiser. (Subject to repairs) Home must meet minimum FHA guidelines and any subsequent VC requirements,
- Home Keeper – Appraisal should be issued “as is”. However, Fannie Mae requires that repair issues be addressed. Either with a separate home inspection or with the same VC forms as required by FHA,
- Cash Account – Requires 2 appraisals if value is 2 million and over. First one, paid for by the borrower and performed by FHA approved appraiser – “as is” with VC forms (appraiser must also have E&O insurance). Second appraisal, paid for by Financial Freedom and is performed by appraiser approved by Financial Freedom.
- Termite Inspections are required on all loans. Except in rare cases, as determined by HUD. Termite treatment, if required, MUST BE COMPLETED prior to closing.

How do we handle required repairs?

All products follow the same guidelines outlined below:

- Repairs and/or additional inspections are identified by the appraiser, home inspection or specific inspection required.
- Minor repairs (\$500 and below) must be completed and inspected, prior to closing
- Repairs greater than \$500 but less than 15% of value (or lending limit as set by FHA or Fannie Mae). Repairs above 15% - makes property ineligible unless % completed prior to closing to lower overall repair requirement.
- May be completed after closing - within 6 months (up to 12 months to complete if weather dictates)
- The underwriter determines repair set-aside amount – generally will equal 150% of estimated repair costs plus re-inspection fee allowance of \$100.

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Factors affecting max loan

- An under appraisal does not necessarily result in a dollar for dollar reduction in the loan amount. If the property should under appraise it will not reduce the loan amount by the same amount that it would on a regular conventional/FHA loan.
- Watch!! An increase in the rate before the loan closes will decrease the loan amount. A decrease in the rate before the loan closes will increase the loan amount.

Reverse Mortgage Summary

- Age minimum 62
- No shared appreciation with lender
- No monthly payment required
- No principal repaid until client cannot permanently occupy property
- Client retains title to property
- When sold profit goes to client or estate, if loss no deficiency
- No restrictions on the use of the money
- Income, Employment, Assets and Credit stated but not used in underwriting.
- Credit Report Required for information only
- Non-recourse loan – No additional debt left to heirs

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