



Reverse Mortgage Information Guide

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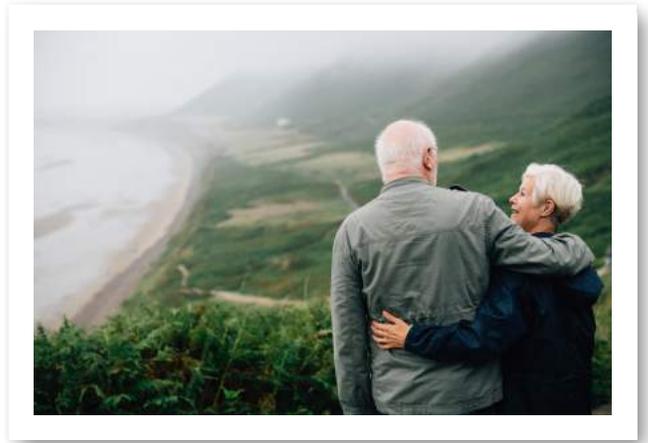
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Enjoy your Golden Years!

Today, there are more loan options for retired individuals and couples than ever before. Whether you're looking to pay off bills, refinance to a lower rate, or access your home equity to use as additional income to enjoy your retirement, a Reverse Mortgage may be the answer for you!



What is a Reverse Mortgage?

If you are a senior looking for ways to access the equity in your home, you may qualify for one of several Reverse Mortgage loan programs currently available. These Reverse Mortgage programs allow you to tap into the equity you currently have in your home, without having to sell your property or apply for a home equity line of credit. You always own your home and instead of making monthly payments, your home can now pay you.

Why get a Reverse Mortgage?

The income received from a Reverse Mortgage can be used for a variety of purposes. Just like a regular refinance, you are not restricted on how the funds can be used.

Examples of potential uses for funds received from a Reverse Mortgage include:

- Supplement retirement income
- Cover medical expenses
- Make home repairs or improvements
- Pay property taxes
- Pay off in-home care

Reverse vs. Traditional Mortgages

A Reverse Mortgage is the opposite of a traditional mortgage. With a traditional mortgage or home equity loan, you borrow money from a lender and make monthly payments until your loan is paid off.

A Reverse Mortgage taps into the equity you currently have in your home and pays you monthly payments. With a Reverse Mortgage, you are not obligated to make a monthly payment and you can receive extra income. Payment on this loan is required only once, at the end of the loan, typically when you no longer occupy the home as your principal residence.

Reverse Mortgage Benefits

For many older homeowners, a Reverse Mortgage is an effective way to convert home equity into flexible, tax-free income. The benefits are numerous:

- Continue to live in and own the home without having to make a mortgage payment
- Receive tax free income monthly or in a lump sum
- Enjoy the flexibility of determining how you wish to receive your benefit disbursements: fixed monthly payments, a line of credit, a lump sum cash advance, or a combination of the plans

- Adjust your payment option to meet your current needs
- Repay the loan at any time without penalty
- Have peace of mind knowing that you and your heirs have no personal liability for the repayment of the loan

Relax knowing that you owe nothing until after you no longer occupy the home as your principal residence.

Talk with your consultant to plan your financial goals.

Reverse Mortgage Specifics

Eligibility Requirements

The eligibility requirements are simple:

- The home must be owned as the person's primary residence.
- The property must be a single family or two-to-four unit dwelling.
- Town homes, detached homes, condominium units, planned unit developments (PUD's), and some manufactured homes are eligible.
- The home must meet HUD minimum property standards. In some cases, home repairs can be made after the closing of the Reverse Mortgage.



How Your Loan is Calculated

The maximum benefit earned is based on the following factors:

- The age of the youngest homeowner
- The appraised value of the home
- The current interest rate
- The county in which the property is located

In general, the more your home is worth, the older you are and the lower the interest rate, the more you'll be able to receive.

Payment Options

Customers have unique needs. Some prefer to get the entire loan amount up front, while others prefer steady monthly payment to supplement their income. Regardless of which distribution plan you pick, you are able to adjust your plan to accommodate changing needs.



There are three different kinds of Reverse Mortgage distribution plans to fit your personal needs, or we can combine elements from any of these plans to create a unique system that works best for you.

- **Lump Sum Cash Advances**

Cash is immediately available (often used to pay off an existing mortgage)

- **Term**

Equal monthly payments for a fixed period of months selected

- **Tenure**

Equal monthly payments as long as at least one homeowner lives and continues to occupy the property as a principal residence

- **Line of Credit**

A credit line which the customer can draw upon as he or she wishes

- **Combination**

An immediate cash advance in addition to monthly allotments

Interest Rate

Your loan will be made based on a fixed or adjustable rate of interest. You have the option of choosing this at the time of application. The change in the interest rate has no effect on the amount of or number of loan advances you can receive, but can cause the loan balance to grow at a faster or slower rate.

Loan Repayment

The loan is due and payable when you no longer occupy the property as your principal residence or fail to comply with the loan agreement. The only requirement is that the loan be repaid in one payment. There is no requirement that the property be sold, only that the loan is repaid. This may occur either through the sale of the home or by using other resources (such as savings or possibly applying for a new mortgage.)

Effect on Public Benefits

The proceeds from a Reverse Mortgage are not considered income and will not affect Social Security or Medicare benefits because these programs are not based on need.

However, your monthly Reverse Mortgage advances may affect your eligibility for some other programs. Consult your local program offices to determine how, or if, monthly HECM Loan payments might affect your specific situation.

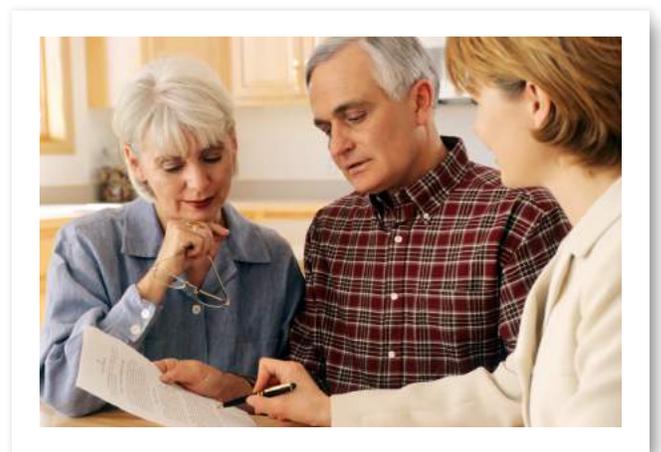
The Reverse Mortgage Process

Education

This is the phase that you are in now. You are taking the time to learn about the Reverse Mortgage program to determine if it is appropriate for your situation.

Counseling

As part of the Reverse Mortgage application process, you are required to participate in a consumer education session with a HUD approved counselor.



The counselor will explain the legal and financial obligations of the program as well as any alternatives you may have. The Reverse Mortgage program is not for everyone, so this step will help you ensure you are making the right decision.

After the session has been completed, you are given a Counseling Certificate, which is valid for 180 days after the session. You must then present this certificate to the lender as proof that you have attended and completed the counseling session.

Application

Next, you will complete and sign the loan application. Once you have submitted your completed application, you will receive a disclosure of the estimated total cost of the loan, as required by the Federal Truth in Lending Act.

Appraisal

A professional appraiser will be used to determine the value of your home which will be used to calculate the amount you can receive as part of your Reverse Mortgage.

Home Insurance

Most lenders will require that you show proof that you have purchased home insurance or hazard insurance which will protect you in case your home is destroyed as a result of fire, theft or some other disaster. If you already have home insurance, make sure your policy is up to date, payments are current, and you have the minimum amount of coverage required by your lender.

Government Mortgage Insurance

This is put in place by the Federal government to protect you and your heirs by insuring that the amount required for repayment of the loan will never exceed the value of your home when payment is due. An initial premium will be due upon closing your loan. This payment can be financed as part of your Reverse Mortgage proceeds.

Title Insurance

There are two types of title insurance: one protects the lender and one protects the borrower.

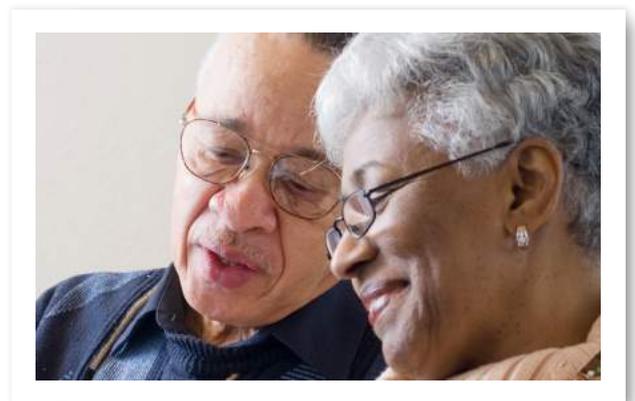
Title insurance is purchased as protection from claims against your ownership of the property. Such claims may be made by undisclosed spouses, heirs of previous owners, creditors holding liens against previous owners, or other parties.

Closing

Loan processing typically takes 4-6 weeks before the closing can take place. The closing for a Reverse Mortgage typically takes place in your home. The loan documents, including the mortgage or deed of trust, are forwarded to you to sign. You then have 3 days in which you can cancel the mortgage if you change your mind. Any cash disbursements due to you will be forwarded from the title company after the loan has been funded and recorded.

Setting the Closing Date

Closing must be coordinated with many parties that may include: the lender, yourself, your attorney, and the title company representatives.



Last Minute Detail Check

A few days before the closing, your loan advisor will help you go through a checklist of what you'll need to finalize and close your loan, including:

- **Closing costs and escrow amounts**
Your Good Faith Estimate may not include all closing costs such as interim interest or property taxes. Finalize actual costs at this time with your closing agent to avoid last minute surprises.

- **Acceptable method of payment**

In most cases certified or cashiers checks must be prepared in advance.

- **Any additional items needed**

Some counties require photo ID, evidence of hazard or flood insurance or other miscellaneous documents. This is the time to gather your ID and miscellaneous paperwork that may be required at closing.

After the Closing

With a Reverse Mortgage, you will have responsibilities similar to those associated with a traditional mortgage.

You are expected to:

- Pay property taxes
- Keep adequate property insurance up-to-date
- Maintain the condition of the home

Loan Application Checklist:

- Proof of Social Security number
- Birth Certificate
- Photo I.D. (drivers license, passport, etc.)
- Most recent tax bill
- Homeowners Insurance policy
- Trust Agreement

Questions and Answers

Q. Can I qualify for a Reverse Mortgage if I currently have an existing loan on my home?

A. Yes, but the existing loan must be paid off prior to or at the time of settlement of the Reverse Mortgage. Quite often, Reverse Mortgages are used to refinance existing mortgages.

Q. My property is held in a Living Trust. Can I qualify?

A. Yes, as long as you are the primary trustee and are qualified by age.

Q. To avoid probate, my children and I own the property in joint tenancy. Can we qualify?

A. Yes, if the children are age 62 and older and live in the property. Otherwise they would need to be taken off title prior to settlement.

Q. Does the IRS consider the monthly advances from a Reverse Mortgage as income?

A. No. The cash advances are actually loan distributions and are not considered income. The cash advances are tax-free

Q. Are mobile homes eligible?

A. Yes. The home must have been built in 1977 or later and have a permanent foundation that is approved by FHA.

Q. My spouse is permanently in a nursing home. Can we participate?

A. Possibly. Please give us a call to talk through your specific scenario.

Q. Are there restrictions on how I can use the money?

A. No. It's your money and you can use it as you wish.

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