

Stay informed with...

THE REVERSE MORTGAGE INSIDER

Volume 2, Issue 1

Manage Your Finances With A Reverse Mortgage

After watching their savings disappear in a severe bear market, today more and more seniors are worrying about how they will fund a secure retirement. Ever-rising costs in health care, prescription drugs, energy, and property taxes stress even the best-prepared seniors.

Add to this scenario the growing longevity of our senior population and the increasing number of years they are spending in retirement. The result? More seniors are retiring with debt or concerns about outliving their resources. And they need to find a creative solution.

Not only a “last resort”

A reverse mortgage can be used to meet a wide array of retirement goals. Whether the objective is avoiding excessive depletion of retirement assets or funding a favorite dream, senior homeowners should learn about the reverse mortgage option. A reverse mortgage may be used, not as a ‘last resort’, but as part of an integrated strategy to improve the odds that your financial resources will last a lifetime.

Using the cash available from home equity can especially be of help during the present time of financial turmoil. Seniors can conserve their savings by drawing funds from a reverse mortgage line of credit or they may supplement their income with monthly checks.



Learn the facts

When using the line of credit or the monthly check option, no interest charges accrue until the money is accessed. And the amount available to the borrower in a line of credit continues to grow, making more funds available in the future.

The reverse mortgage financial strategy may also result in a lower tax bracket. The loan proceeds are tax-free; they are considered to be a loan and not reportable as income.

The only requirement for the use of these funds is that any existing lien or mortgage must be satisfied before the cash is used for other purposes. Many reverse mortgages are used simply for the purpose of paying off a current mortgage, thus reducing monthly cash flow needs.

Reverse mortgage demand continues to increase at a phenomenal rate and industry leaders expect to see ongoing growth in this unique loan for seniors. For those who want to stay in their home, it can be an excellent financial tool.

STIMULUS BILL INCREASES LOAN LIMIT

We have great news for owners of higher valued homes. The current stimulus package passed by congress includes a provision that boosts the lending limit for the federally-insured Home Equity Conversion Mortgage (HECM) to \$625,500 throughout 2009 only. The new, higher lending limit enables borrowers to obtain a substantially greater benefit from their homes, if the value is higher than the previous HUD limit.

Previously, the 2008 FHA Modernization bill made several improvements to the Home Equity Conversion Mortgage (HECM), including lower origination costs for borrowers, one national loan limit of \$417,000, strict rules against combining the federally-guaranteed reverse mortgages with financial product sales, and increased independence for the mandated HECM consumer counseling program.

What Makes a Reverse Mortgage Safe?

- Required third-party counseling which includes review of potential borrowers' income and expenses, needs, and information on other available programs
- Strict guidelines for the reverse mortgage loan officer to provide borrower with a list of at least 5 counseling agencies, and prohibition against directing borrower to preferred counselors
- Upfront disclosure of all fees, interest rates, amortization schedule of loan (so borrower has a good idea of how much they will owe in the future), and total annual loan cost (TALC)
- Disclosure to the borrower of a minimum of three loan program options showing monthly and annual adjustable rates
- Legislation in place prohibiting cross-selling of investment products such as annuities by the individual or company assisting the borrower with the reverse mortgage origination
- 3 day rescission period after closing during which the borrower can cancel the loan, incurring only the cost of the appraisal, credit report, and flood certification



Purchase a Home With a Reverse Mortgage

The FHA Home Equity Conversion Mortgage (HECM) is now available for home purchases. Seniors, 62 years of age and older, can purchase a principal residence and use reverse mortgage proceeds in a single transaction.

Borrowers will be able to preserve funds from the sale of their previous home for their monthly cash flow needs, rather than putting all the sale proceeds toward the purchase of the new home. Or, they can make up any shortfall in their own funds with the new HECM loan.

The senior homeowner can use this new program to relocate to other geographical areas to be closer to family members or downsize to homes that meet their physical needs such as homes with handrails, single levels, ramps, and wider doorways.

Borrowers must occupy the home within 60 days from closing. Any combination of funds used must be enough to purchase the new property outright.

The benefits of this program are otherwise identical to the familiar HECM program: no payments due to the lender while living in the home, borrower retains title and full ownership, and only the proceeds of the sale of the home must be used to eventually satisfy the reverse mortgage.

While most senior homeowners often seek to remain in their current home, those senior homeowners considering a move will be able to consider the HECM for Purchase as a safe financial option to make that move possible. Senior homeowners can continue to enjoy the independence of homeownership while living close to family or in a home that meets their physical needs.

THAT'S A GOOD QUESTION...

What happens to my reverse mortgage when I die?

The loan needs to be repaid to the lender when the last surviving borrower passes away. Your heirs or estate have an initial six months to decide how to satisfy the loan. If more time is needed, two additional ninety day extensions can be requested. Generally your heirs will choose one of the following:

- Sell the home and pay off the reverse mortgage through the proceeds of the sale. The selling process such as choosing a realtor, preparing the home for sale, and listing the property is handled by the heirs or estate representative. Any remaining equity goes to the heirs or estate.

OR

- Take out a conventional mortgage on the property. If the heirs decide to keep the property, they can take out a traditional loan with a lender of their choice. At closing, the reverse mortgage would be paid off and the heir would make begin making monthly mortgage payments with their new lender.

Can I refinance my reverse mortgage as I could a conventional home mortgage?

Yes. By taking advantage of any or all of four possible changes since you first acquired a reverse mortgage—you are older, the value of your home increases, interest rates drop, or the FHA maximum lending limit increases—you might be able to put more cash in your pocket by refinancing.

Seniors who wish to refinance an existing HECM will benefit from savings on the upfront mortgage insurance fee charged by FHA. When refinancing a HECM, the 2% is only charged on the difference between the original loan's home value and today's appraised value. In addition, mandatory counseling will be waived if you have received counseling within the last five years.

For a refinance, HUD would like to see a 5:1 ratio in comparing the amount of benefit versus the cost of the loan. That means you have to take all the costs incurred to do the new loan and multiply those by 5 to get the amount HUD recommends you gain with the new loan. If the amount to be gained is less, it doesn't mean you can't get the loan, but you must go through counseling again to make sure you understand the program.

Remember, we are always available for a personal consultation or a group presentation to explain this innovative financial product for seniors.

What is a Reverse Mortgage?

A reverse mortgage enables homeowners, age 62 and older, to convert part of the equity in their home into tax-free* cash. There are no income or credit qualifications and no monthly payments to make.

The property must be your primary residence. The amount that can be borrowed is based on a formula using the youngest borrower's age, home value, and current interest rates.

Even seniors with a current mortgage may qualify, but the proceeds must first be used to repay any debt on your home. The remaining dollars can be taken as: a lump sum, monthly checks, or a line of credit which makes cash available when you need it and grows in value through the years. You may use these funds for any purpose.

You always retain the title and can continue to live in and own your home. You remain responsible for home maintenance, property taxes, and insurance.

Repayment is due—of any funds advanced to you, the closing costs and accrued interest—when the last borrower permanently leaves the home. The amount due will never exceed the value of the home, regardless of the loan balance. Any remaining equity always belongs to you or your heirs.

You are required to take part in a counseling session with an approved housing counselor who will review the loan and discuss all options available to you.

*Consult your tax advisor

Marketplace Home Mortgage, LLC is pleased to offer reverse mortgages to our senior homeowners with the same attentive service you have always come to expect from us. Marketplace Home Mortgage is an employee-owned company and we want this difference to show through to you. Our primary goal is to always be a trusted source of financial information and assistance. We appreciate the opportunity to work with you. *Marketplace Home Mortgage is licensed in MN, IA, ND, NE, WI, and FL.*



Store To Door Celebrates 25th Anniversary

Most of the clients using Store to Door can't walk much anymore and can't do heavy lifting. A large and energetic group of volunteers take their grocery orders and deliver to their home, often putting the groceries away and stopping for a visit. They live the Store to Door mission statement "enhancing opportunities for aging adults to live independently".

This is the 25th Anniversary year for Store to Door, a grocery delivery service for homebound adults. Along with a celebration planned for May 1, the goals for 2009 include spreading the word about their service and continuing to reach out to prospective volunteers and new clients. The organization appreciates support from individuals and from corporations like Cargill and Target for volunteer time and donations to cover groceries for those who cannot pay.

If you are interested in donating money or time as an order taker or shopper, or know of a senior who needs this help to stay in their home, call 651-642-1892 or email info@storetodoor.com for more information. Learn more from their website at www.storetodoor.org.



Reverse Mortgage Marketplace

A DIVISION OF MARKETPLACE HOME MORTGAGE, LLC

Reverse Mortgage Specialists



Dory Lidinsky (763) 780-0703
dory@marketplacehome.com



Gail Wempner (952) 544-0821
gail@marketplacehome.com