HighTechLending

You May Be Able to Retire Better with a Reverse Mortgage

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How Does A HECM Work?

(aka Reverse Mortgage)

HECM - HOME EQUITY CONVERSION MORTGAGE

- You remain the owner of your home and the title remains in your name as long as you live in the home as your primary residence, continue property maintenance, pay your property taxes and insurance, and do not otherwise default on the Reverse Mortgage.
- Heirs may keep your property in the end by paying off the loan balance owed at that time. If your heirs wish to sell the home in the end, they will be allowed to sell the home and if there are any remaining profits from the sale - these will belong to them (not the lender).
- The HECM program is regulated by HUD and the Federal Housing Administration (FHA)
- $0 monthly mortgage payments required on the money you use from the Reverse Mortgage. You also can still make optional monthly mortgage payments. You are required to continue property maintenance and paying your property taxes, property insurance, and any HOA dues
- If you currently have a mortgage, you must use the HECM loan proceeds to pay off your mortgage and there are no required monthly mortgage payments required on your new HECM mortgage. You are still required to continue paying your property taxes, property insurance, and any HOA dues.
- You may have the options of withdrawing an initial sum of funds, setting up a Line of Credit, or having monthly payments sent to you from your equity over a period of time.
- There are no restrictions on how you choose to use your funds except that you must continue to pay property taxes and homeowners insurance and maintain the home.

The Home Equity Conversion Mortgage (traditionally called a Reverse Mortgage) is available to senior homeowners 62 and older in America. This is a way to utilize your equity for your retirement years, yet it is important to be educated and to explore how this might fulfill your specific short-term and long-term goals. At HighTechLending Inc. we look forward to assisting you in this process and customizing a loan program for your unique situation and goals.

Enjoy Your Retirement Years

You have worked hard your whole life and only you know what it has taken to get here. You finally reached that point in life where you can relax and enjoy your retirement. Like many other American homeowners, age 62 or more, you may find your expectations falling short.

But there may be great news for you. Whether you're looking to pay off bills, purchase a new home, or convert your equity to additional income to enjoy your retirement, the FHA Home Equity Conversion Mortgage (HECM) may be the answer for you.

WHAT IS A HECM?

HECM Loans allow you to borrow against the equity you've established in your home without have to make monthly mortgage payments as long as you live in the home as your primary residence and continue to pay property taxes, insurance, HOA fees, maintain the home, and comply with loan terms. If you do not comply with the loan terms, the home may be foreclosed on (as with any mortgage programs).

You may qualify for the HECM Loan Program if at least one borrower is age 62 or older, own and live in your home as your primary residence, have substantial equity in the home and your property meets HECM guidelines.

Most properties qualify, including single family residences, 2-4 unit properties (as long as you live in one of the units) and many condos & manufactured homes.

WHY GET A HECM MORTGAGE?

A HECM Loan can be used for a variety of purposes. Just like a traditional mortgage, you are not restricted on how the funds can be used. Also like a traditional mortgage, property taxes, insurance, HOA fees must be paid.

Here are a few examples of what others have done with their HECM loan funds:

- Paying off a current mortgage or Home Equity Line of Credit, or high interest Credit Cards
- Supplement retirement income to cover monthly expenses
- Increase retirement savings
- Secure additional income for a spouse
- Cover medical expenses
- Make home repairs or improvements
- Pay in-home care or prepare for these large future expenses
- Legacy donations, vacations and enjoyment
- Afford to live in the home you love

HECM Loan Specifics

The Eligibility requirements are simple. There is no medical or employment qualifying restriction. Credit and Income are considered, as well as other factors:

- The home must be your primary residence.
- Borrower must meet certain residual income after property taxes, homeowner's insurance and homeowner's association fees, and outstanding debts are assessed.
- The home must meet HUD minimum property condition standards. In some cases, home repairs can be made after the closing of a HECM Loan.

Given these requirements, many choose to setup a Reverse Mortgage in advance and prior to major financial challenges. Our professional loan officers will help you understand and help you potentially meet these requirements.

PAYMENT OPTIONS

Each individual and family has unique needs. Some prefer to withdraw large sums up front, or set up a Line of Credit to increase their savings, while others would prefer steady monthly payments sent to them to supplement their income. With many distribution plans, you are able to adjust your plan as often as you wish to accommodate changing needs.

There are three different kinds of HECM Loan distribution plans to fit your needs and desires:

Lump Sum Cash Advances

Upfront sum of cash, immediately available at closing

Term Payments

Equal monthly payments sent to you from your equity, for a fixed period of time to supplement income

Line of Credit

A credit line that you can draw funds from as you wish. Here are additional beneficial features:

- This account of funds are secured and accessible, but not owed against the home. Only what is drawn out over time is a balance owed on the home
- $0 monthly payments required when funds are drawn from the Line of Credit
- The FHA insures the HECM Line of Credit. If property values decline, your Line of Credit will not be frozen or reduced. This is unique to the HECM/ Reverse Mortgage Line of Credit

Combination

You may also be able to receive a combination of these options. Your loan officer will help you structure the loan to fit your unique retirement needs and goals.

MARRIED BORROWERS

For married couples, co-borrowing spouses receive the same advantages of the Reverse Mortgage even when one spouse passes. The remaining spouse can keep the home without the requirement of a monthly mortgage payment so long as the surviving spouse does not default on the loan. The surviving spouse will still be required to continue paying the property taxes, property insurance, and any HOA dues. Because of this, many married couples choose a HECM to:

1. End their current monthly mortgage payments now to prepare for the future loss of a spouse. For most families, their spouse will see a reduction in income when that day comes. The HECM can help by eliminating monthly mortgage payments in advance and help prepare for this major future challenge, or
2. Access additional cash from your home or setup a HECM Line of Credit in advance and create additional reserves for your spouse

Please note there are different regulations and guidelines for a spouse that is not a borrower on the HECM loan. Please contact us for these specific details.

HECM VS. TRADITIONAL MORTGAGES

Traditional mortgages are used for purchasing or refinancing a home at any age. You borrow the money from a lender and then pay the money back with interest, usually over 15 to 30 years.

HECM mortgages are used to get money out of the home you already own. This allows you to access the cash built up in your home at a time in your life when you will most likely need additional funds the most - without a required monthly mortgage payment. The interest builds on whatever funds you have drawn from the HECM, and repaying the interest and what you've borrowed is deferred until you permanently leave the home or default on the loan terms. Some individuals choose to still make small monthly payments – making them in control of their mortgage and the future loan balance.

Important Information

1. **At the conclusion of a reverse mortgage, the borrower must repay the loan and may have to sell the home or repay the loan from other proceeds;**
2. **Charges will be assessed with the loan, including an origination fee, closing costs, mortgage insurance premiums and servicing fees;**
3. **The loan balance grows over time and interest is charged on the outstanding balance;**
4. **The borrower remains responsible for property taxes, hazard insurance and home maintenance, and failure to pay these amounts may result in the loss of the home; and**
5. **Interest on a reverse mortgage is not tax-deductible until the borrower makes partial or full re-payment.**

EFFECT ON PUBLIC BENEFITS

HECM Loans are not considered income and will not affect Social Security or Medicare benefits. However, your HECM Loan advances may affect your eligibility for some other programs, such as Medicare and SSI. Consult your local program offices to determine how, or if, monthly HECM Loan payments might affect your specific situation.

HECM ADVANTAGES

For many, a HECM Loan is an effective way to convert home equity into cash. The advantages may be numerous:

- Continue to live in the home you love
- Your heirs have no personal liability for the repayment of the loan since it's secured by your home – even if the loan balance exceeds the home value
- Repay the loan at any time without penalty
- Optional monthly mortgage payments (borrower still obligated to pay property taxes and insurance)

TYPICAL MISCONCEPTIONS

Many have heard misconceptions about the HECM/Reverse Mortgage. Here are the most common we hear and the correct answers:

Misconception #1

The bank or lender automatically owns your home.

This is probably the biggest misconception. However, just like any other mortgage, the borrower still owns their home and remains on title. However, like other mortgages, the home may be foreclosed upon if the borrower defaults on the loan terms.

Misconception #2

Reverse Mortgages are a loan of last resort.

Reverse Mortgages have been used as a retirement and financial planning tool for many years. It's not just for the financially challenged, but for those seeking to create retirement income from their home equity in retirement.

Misconception #3

Reverse Mortgages are a scam.

The HECM is an FHA loan and one of the most highly regulated mortgage products in the country. Even though there are still risks as with any loan product, there are many safeguards built into the HECM to help protect the borrowers.

Our loan originators will walk you through all your options, answer your questions, and help you find a loan program that suits your needs.

GETTING YOUR REVERSE MORTGAGE STARTED

There are steps to start the process. We will guide through all of these stages below:

Reverse Mortgage Counseling

You are required to participate in a HUD approved consumer education session with a HUD counselor. This is designed for your protection.

Application

Your Loan Officer will help you complete and sign the loan application. Once completed, you will receive a disclosure of the estimated funds you will receive, total costs of the loan, and required documentation as required by the FHA and the Federal Truth in Lending Act.

Appraisal

A professional appraiser, approved by FHA, 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 HECM Loan.

Final Loan Documents

If your loan application is approved, the closing for a HECM Loan typically takes place in your home and your signatures are witnessed by a notary.

GIVE US A CALL TO GET STARTED

You are in great hands, and at HighTechLending Inc our goal is to answer all of your questions, fulfill your concerns, and if this program is right for you - help structure a program that truly benefits you and your family for the rest of your years in the home you love.

Read How Others are Using this Program

This gives an idea of some possibilities, but every situation is unique

HIGHTECHLENDING INC. CANNOT GUARANTEE SIMILAR RESULTS

Geraldine and Robert Farris, Orange CA

Even though their home was already paid off, the Farris's realized their last $75,000 in savings would not last. Robert also wanted to make sure his wife was taken care of financially if something were to happen to him. To solve this they decided to secure a HECM - Line of Credit so they could easily take money from the home when needed for large future expenses (home improvements, health care costs, even helping family). This couple especially felt secure with two main features:

1. they now have access to money in their home and the money is not owed unless they access it.
2. even if the property values were to drop again, their money in the HECM Line of Credit would still be available to them (unlike their previous traditional Home Equity Line of Credit!)

They will also benefit from the fact that they can draw from their HECM funds tax free when needed, which may also help balancing withdrawals from their retirement portfolio and other income generating assets.

Sherry Rogers, Miami FL

Sherry's expenses kept rising and anticipated she would no longer be able to meet her bills on a fixed income. She was most concerned of keeping up with her current mortgage – knowing that her mortgage company would give no leniency and would not reduce the payment. Sherry chose the Home Equity Conversion Mortgage to eliminate monthly mortgage payments*. She is not only now positive on a monthly basis, but also has enough breathing room when her expenses rise even more. With her monthly payment gone*, she has peace of mind and can even enjoy some of the small things in life again (like dinner out with close friends and an occasional trip to see her grandkids).

Sherry appreciates the fact she now has flexibility to make a small monthly payment if she chooses, or can make monthly no payments at all if she needs the full benefit. Sherry's children are also pleased that their mother is comfortable financially and can stay in the home she loves!

**Property taxes, insurance, HOA and general upkeep are still required*

Let us help you live the retirement you've always imagined, in the home you want.

HighTechLending