Understanding Reverse Mortgage Loans

The key to a more secure retirement may already be in your pocket.

Longbridge
Financial, LLC

The power of home.™

From paying off a mortgage, to creating an added source of cash flow, to smarter tax planning,[1] **a reverse mortgage can unlock the equity in your home for a more secure retirement.**

“Using a reverse mortgage to tap home equity is one of the most powerful options available to retirees today.”

Alicia Munnell,
Director, Center for Retirement Research
at Boston College

From holidays with family and friends, to kids’ birthday parties, to all the everyday joys and challenges of our lives, our homes are where special moments take place.

But a house is more than a sentimental matter: for most Americans, it’s their largest financial asset, typically representing more than half of their total wealth.[2] As more Americans than ever before face the challenges of funding retirement, there’s never been a greater need to unlock the power of home equity.

That’s why, at Longbridge Financial, we believe it’s time to take a closer look at reverse mortgages. They’re uniquely powerful tools to help you take advantage of the equity you’ve worked so hard to build. A reverse mortgage can increase your financial flexibility – and most importantly, protect your ownership of your home.

We’re committed to educating homeowners about the many uses of this helpful financial tool. It’s our mission to make the benefits of reverse mortgages available to a new generation of retirees by offering them unparalleled service and transparency.

Let Longbridge Financial help you unlock the Power of Home™.

What exactly is a reverse mortgage?

The Federal Housing Administration (FHA)-insured Home Equity Conversion Mortgage (HECM) – also known as a **reverse mortgage** – lets homeowners aged 62 or older access a portion of their home's equity in the form of a loan.

The loan proceeds are **income tax-free,[1] DO NOT require monthly mortgage payments,** and allow the borrower to **retain ownership and title to their home**, as long as they comply with the loan terms:

- **Live in the home as their primary residence**
- **Continue to pay required property taxes and homeowners insurance**
- **Maintain the home according to FHA requirements**

What are the benefits of a reverse mortgage?

From eliminating your monthly mortgage payments[3] to paying for unexpected expenses, a reverse mortgage can help provide financial flexibility and ease many of the financial pressures you face in retirement.

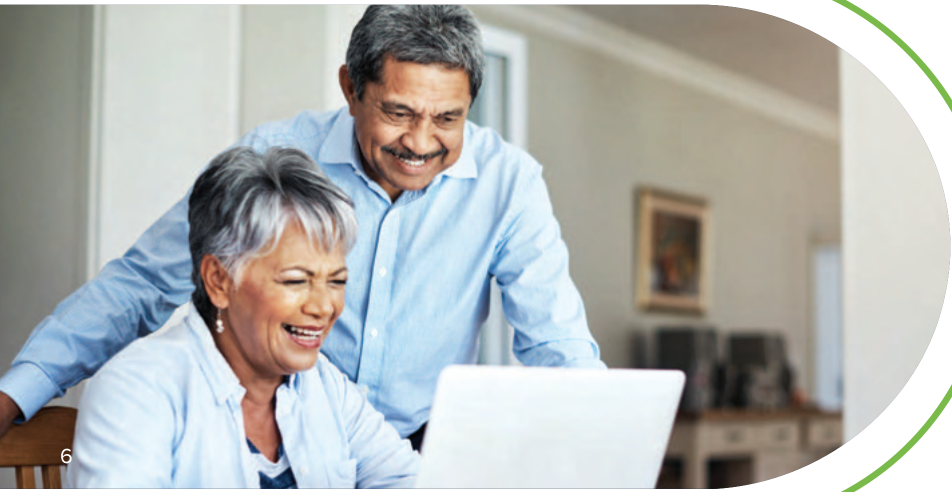
How can you use it?
Here are just a few of the ways to take advantage of a HECM:

- Cover healthcare expenses, pay off bills, or eliminate an existing mortgage to increase your monthly cash flow
- Make home repairs or modifications to help you "age in place"
- Avoid taxable withdrawals from 401(k) or other retirement plans by using income tax-free[2] reverse mortgage proceeds instead
- Establish a growing line of credit[4] as a safety net for emergencies or future expenses
- Help a child or grandchild with major expenses, such as a down payment on a home or college tuition

How can you qualify?

To be eligible for a HECM reverse mortgage, you must:

1. **Be 62 years or older** (a non-borrowing spouse may be under the age of 62)
2. **Own and live in your home** as your primary residence
3. **Undergo a financial assessment** to ensure a reverse mortgage can serve you as a sustainable, long-term retirement solution
4. **Receive counseling** by an independent, HUD-approved third party to ensure that you understand your obligations and responsibilities with a reverse mortgage
5. **Maintain the property** and continue to pay property taxes, homeowners insurance, homeowner association dues, and any other applicable fees



How much money can you access?

Your loan amount is based on a number of factors, including:

Age

Specifically, the age of the youngest borrower or non-borrowing spouse. The older you are, the more funds that may be available.

Your Home's Value

If your home's value increases, it could increase your home equity and make more funds available to you. Subject to an appraisal.

Current Interest Rate

Fixed- and adjustable-rate options[5] are available: the lower the interest rate, the more funds that may be available.

Reverse Mortgage Misconceptions:

MYTH VS. FACT

MYTH #1: "The bank or lender will take ownership of my home."

FACT: You or your estate continue to retain ownership of your home's title.[3]

The lender's interest is limited to the outstanding loan balance as a lien on the property.

MYTH #2: "It will mean just another monthly mortgage payment to make."

FACT: There are no monthly payments required on a reverse mortgage.[3]

Pay as little or as much as you want, as often as you'd like.

MYTH #3: "My heirs will be responsible for repaying the loan."

FACT: Reverse mortgages are non-recourse loans, which means the lender can only get repaid through proceeds from the sale of the property.

Even if the value of your home dramatically decreases, you can never owe more than the home is worth when you sell it. To keep the home, your heirs can arrange their own financing and pay off the loan balance in full. If they choose to sell, proceeds from the sale are then used to pay off the lesser of the loan balance or 95% of the appraised value of the property, and any remaining funds go to them. Your heirs can also obtain a deed-in-lieu of foreclosure from the lender, which allows the estate to avoid foreclosure by deeding the property back to the lender. This option requires that your heirs have clear title with no other liens or encumbrances besides the reverse mortgage, and that all personal property be removed from the home.

MYTH #4: "I haven't paid off my current mortgage, so I probably won't qualify."

FACT: You can have a mortgage or other debt on your home's title, as long as you've built adequate equity in the property.

If there's a mortgage on your home, the reverse mortgage is first used to pay off that loan. So you can eliminate that monthly expense and free up more cash each month, since no monthly payments are required on a reverse mortgage.[3]

MYTH #5: "Reverse mortgage lenders just want to sell my house."

FACT: Meet the terms of your loan, and you can stay in your home for as long as you want.[3]

Should you decide to sell your home or relocate, then the loan would become due and payable.

MYTH #6: "If I get a reverse mortgage, I'll have nothing to leave to my heirs."

FACT: Your heirs inherit the house, just as with any other mortgage.

When the loan comes due, your heirs can decide what to do to repay the loan balance. To keep the home, your heirs can arrange their own financing and pay off the loan balance in full. If they choose to sell, proceeds from the sale are then used to pay off the lesser of the loan balance or 95% of the appraised value of the property, and any remaining funds go to them. Your heirs can also obtain a deed-in-lieu of foreclosure from the lender, which allows the estate to avoid foreclosure by deeding the property back to the lender. This option requires that your heirs have clear title with no other liens or encumbrances besides the reverse mortgage, and that all personal property be removed from the home.

MYTH #7: "If I get a reverse mortgage, then I couldn't sell my home."

FACT: A reverse mortgage is like any other loan.

If you decide to sell your home, the reverse mortgage will be paid off at closing. There are no prepayment penalties for paying off or selling the home in advance.

MYTH #8: "I heard a reverse mortgage should only be used as a last resort."

FACT: A reverse mortgage is a powerful financial tool that can be an important part of your overall financial plan.

From paying off an existing mortgage to delaying Social Security, or even creating an emergency line of credit,[5] it's a flexible product designed to give you options. In fact, many financial planners have begun to discuss reverse mortgages with clients who need an added source of cash flow.

MYTH #9: "Reverse mortgages are expensive."

FACT: Reverse mortgage loan origination costs and interest rates are comparable to those of traditional mortgages.

There are FHA insurance costs that some traditional mortgages do not require, but it's a relatively small cost. Plus, lender closing costs and fees can typically be financed into the loan, so there is little required from you out of pocket.

MYTH #10: If my lender or servicer changes, my loan terms are subject to change.

FACT: The terms of your loan are defined at closing.

By law, loan terms cannot be changed so long as the deed remains in force.

The reverse mortgage process made simple.

At Longbridge Financial, we've simplified the process of getting a reverse mortgage into a few key steps. First, we'll help you determine what reverse mortgage solution is right for you. Then, we'll assist you with the next steps:

1. Completing the application
2. Receiving the required independent counseling
3. Getting an appraisal completed on your home
4. Closing your loan and receiving your funds

When you choose Longbridge, our experienced reverse mortgage consultants are always available to answer any questions you may have.

How can you access your funds?

Choose the payout plan that works best for you:[5]

LUMP SUM

To maximize your cash payout

MONTHLY INCOME STREAM

To receive monthly payments for a fixed term or for life[6]

LINE OF CREDIT[5]

To use as needed – interest is charged only on the portion you access

COMBINATION PLANS

To combine these options, for even greater control

Reverse Mortgages vs. Other Mortgages

	Home Equity Conversion Mortgage	Mortgage/ Home Equity Line of Credit
SIMILARITIES		
Who has the title and owns the property?	Borrower[3]	Borrower
Is the mortgage secured by the property?	Yes	Yes
Who is responsible for taxes, insurance, and home maintenance?	Borrower	Borrower
DIFFERENCES		
Future credit line availability[6]	Guaranteed,[3] increases over time[4]	May be cut or suspended by lender
Required monthly mortgage payments	No[3]	Yes
Loan balance	Increases	Decreases
Foreclosure risk due to non-payment	Limited to tax and insurance defaults or failure to maintain the property	Defaults on monthly payments as well as tax and insurance
Borrowers can be required to pay more than the home is worth at time of sale	No	Yes

Why Longbridge Financial?

Our goal is to give you peace of mind about your finances. We can help you use your hard-earned home equity to address the financial challenges that impact so many Americans who are in, or preparing for, retirement.

Leadership: Our CEO, Christopher Mayer, PhD, has spent more than 20 years studying housing and mortgages, has testified before Congress on the subject, and is frequently consulted by the media for his financial expertise. Chris is committed to bringing the strategic value of reverse mortgages to today's retirees.

Integrity: We'll ask questions about your goals, your home, and your finances as we discuss your options to help you determine what reverse mortgage solution is right for you. Not all lenders make that commitment.

People: Your call will always be answered by a real, live person that can help you with your reverse mortgage loan. You'll receive trusted personal, professional support through each step of the process.

Service: We're committed to delivering the highest level of customer service to make your experience the best it can be. In fact, our customers consistently award us "Excellent" ratings on Trustpilot, an independent review site.

This level of service doesn't stop once your loan closes. In addition to being a reverse mortgage lender, we're also a full loan servicer. So you can expect a consistent relationship with Longbridge for the life of your loan.

Longbridge

Financial, LLC

Contact us today to learn more and get a free quote.

Call: 855-523-4326

Email: info@longbridge-financial.com

Visit: longbridge-financial.com

1. Consult a financial advisor and appropriate government agencies for any effect on taxes or government benefits.
2. https://www.reversemortgage.org/about/what-is-home-equity
3. As with any mortgage, you must meet your loan obligations, keeping current with property taxes, insurance, and maintenance.
4. If part of your loan is held in a line of credit upon which you may draw, then the unused portion of the line of credit will grow in size each month. The growth rate is equal to the sum of the interest rate plus the annual mortgage insurance premium rate being charged on your loan.
5. Borrowers who elect a fixed rate loan will receive a single disbursement lump sum payment. Other payment options are available only for adjustable rate mortgages.
6. As long as the borrower does not default on the loan. Borrower must maintain home as a principal residence, pay all taxes, insurance, maintenance, and comply with all other loan terms.

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Charges such as an origination fee, mortgage insurance premiums, closing costs and/or servicing fees, if applicable, may be assessed and will be added to the loan balance. As long as you comply with the terms of the loan, you retain title until you sell or transfer the property, and, therefore, you are responsible for paying property taxes, insurance and maintenance. Failing to pay these amounts may cause the loan to become immediately due and/or subject the property to a tax lien, other encumbrance or foreclosure. The loan balance grows over time, and interest is added to that balance. Interest on a reverse mortgage is not deductible from your income tax until you repay all or part of the interest on the loan. Although the loan is non-recourse, at the maturity of the loan, the lender will have a claim against your property and you or your heirs may need to sell the property in order to repay the loan, or use other assets to repay the loan in order to retain the property.

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