KENNEDY MORTGAGE

Enhance Your Financial Well-Being

With a Home Equity Conversion Mortgage

jkennedy@kennedymtg.com 512-553-2111

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What is a Reverse Mortgage?

A Home Equity Conversion Mortgage (HECM), commonly known as a reverse mortgage is a Federal Housing Administration (FHA) insured loan that allows homeowners aged 62 and older to tap into their home equity. Unlike traditional mortgages, where borrowers make monthly payments, a reverse mortgage offers a unique twist: it allows you to receive funds from your home's equity without immediate repayment. Instead, the loan balance accumulates over time, and repayment occurs when you move out of the home or pass away.

If you are 62 years of age or older and have sufficient home equity, you may be able to get the cash you need to:

- Pay off your existing mortgage
- Continue to live in your home for as long as you would like
- Pay off medical bills, vehicle loans, and other debt
- Improve your monthly cash flow
- Fund necessary home repairs and improvements
- Build an emergency fund for unplanned expenses

Introduction to Reverse Mortgages

Eligibility

To be eligible for a HECM loan, some requirements are:

- The youngest borrower must be 62 years of age
- You must live in your home as your primary residence and have sufficient equity
- You cannot be delinquent on any federal debt
- Property - single family, 2-4 unit, manufactured or condominium
- Borrower must meet financial assessment requirements established by HUD

> "I was able to pay off my mortgage balance and some credit card debt. It has made life easier for me"
> ~ Roger D.

EQUAL HOUSING OPPORTUNITY

Pros and Cons

Loan Benefits

- Eliminates your existing monthly mortgage payments
- You can stay in your home and maintain the title
- Tax-Free Income
- Loan proceeds can be used in any way you choose
- Heirs inherit any remaining equity after paying off reverse mortgage
- The HECM loan is FHA-insured
- Social Security and Medicare unaffected
- Non-Recourse loan - heirs won’t inherit any debt
- Receive a monthly payment instead of making one

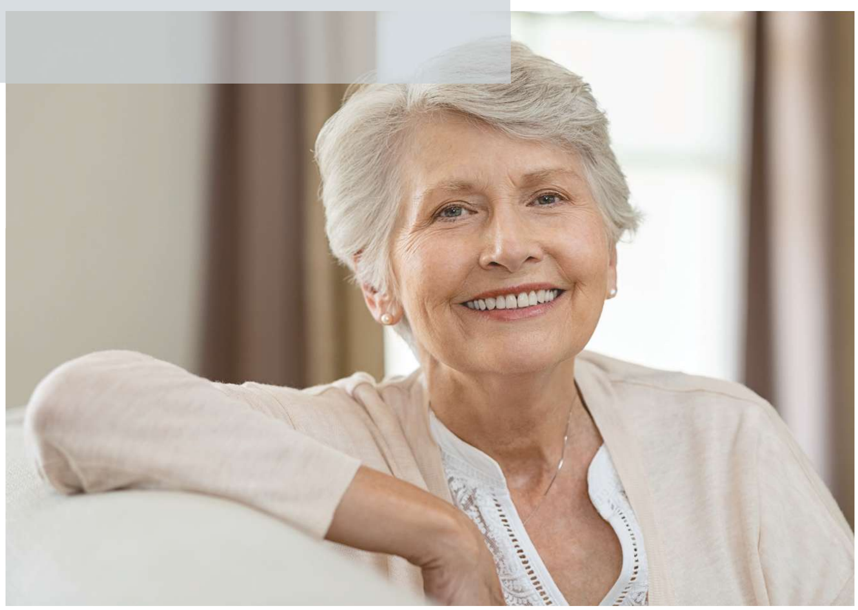
Pros and Cons

Loan Drawbacks

- Increased Debt - A reverse mortgage adds to your existing debt
- Reduced Equity - Oustanding mortgage debt increases over time
- Less inheritance you leave for heirs
- Additional Costs - Understand total cost before proceeding

“I am going on three years since I got a HECM loan. I feel much more financially secure with my mortgage paid off and a line of credit for when I need it”

~ Barbra S.



Pros and Cons

Obligations

Once you obtain your HECM loan, you must continue to meet the following conditions to maintain your loan in good standing.

- Complete a HUD-approved counseling session
- Maintain your home according to FHA requirements
- Continue to pay property taxes and homeowner's insurance
- Continue to live in your home as your primary residence
- The loan becomes due and payable when the last borrower or non-borrowing spouse passes.
- The heirs must repay the loan in order to inherit the property

Loan Options

Your Loan Options

There are two types of Home Equity Conversion Mortgages (HECM loans). It is important to select the one that best suits your needs.

Fixed and adjustable-rate reverse mortgage loans are available. Either option can be used to access equity on a home you own or to purchase a new home. If you have an existing mortgage on the property, it must be paid off with the HECM transaction. Both options eliminate monthly mortgage payments and do not require repayment as long as the loan obligations mentioned earlier are me. Keep in mind that taxes, insurance, and HOA dues still need to be met.

EQUAL HOUSING OPPORTUNITY

Loan Options

Disbursement Options

With a fixed-rate HECM loan, you can receive the loan proceeds in a lump sum. With an adjustable-rate loan, you can select the following:

Tenure

Equal monthly payments.

Term

Equal monthly payments for a fixed period of months selected by borrower.

Line of Credit

Draw at any time and in any amount until the line of credit is depleted.

Modified Tenure

Combination of line of credit plus scheduled monthly payments.

Modified Term

Combination of line of credit plus scheduled monthly payments for a fixed period of months selected by the borrower.

Loan Options

Determining Loan Proceeds

The “Principal Limit” is the amount of funds available from the HECM loan. This is determined by:

- Age of the youngest borrower or eligible non-borrowing spouse
- The lesser of appraisal value, sales price, or the FHA lending limit
- Current interest rates at the time
- Existing mortgage loan balance currently on the property

FHA has requirements on HECM loans that restrict funds available for the first 12 months after the loan closing. Also, there might be set aside requirements to pay for taxes and insurance and other home expenses.

The Loan Application Process

Reverse Mortgage Application Process

1. Discuss financial needs and goals with loan advisor and obtain preliminary information.
   - Date of Birth
   - Address
   - Current Home Value
   - Estimated liens against property

2. Decide of a HECM loan might be right for you. If so, complete the pre-counseling application with the help of loan advisor.

3. If the borrower accepts the loan proposal, then the borrower arranges and attends an HECM counseling session. Borrower receives Counseling Certificate.

4. Borrower signs application also, appraisal and title work ordered.

5. HECM loan file is underwritten and HECM loan is scheduled for closing.

6. Loan Closes and borrower receives loan proceeds.

Frequently Asked Questions

Do I still own my Home?

Yes. With a reverse mortgage, you continue to own your home. The mortgage allows you to access the equity in your home while still residing there. However, it’s essential to understand that the loan must be repaid when you no longer live in the house or when you pass away. At that point, the home is typically sold, and the proceeds are used to pay off the reverse mortgage debt. So, yes, you retain ownership during the loan period, but repayment occurs upon certain conditions.

Does my home need to be owned free and clear?

No. The Borrower may have a mortgage or other debt or liens on their home. The mortgage or debt liens, however, must be paid off with the proceeds of the HECM at or before closing with an acceptable source of funds. Many borrowers obtain a HECM for this reason…to be mortgage payment (P & I) free!

Frequently Asked Questions

Do I have to repay the reverse mortgage?

Yes, eventually. With a reverse mortgage, you continue to own your home. The mortgage allows you to access the equity in your home while still residing there. However, it's essential to understand that the loan must be repaid when you no longer live in the house or when you pass away. At that point, the home is typically sold, and the proceeds are used to pay off the reverse mortgage debt. So, yes, you retain ownership during the loan period, but repayment occurs upon certain conditions.

Does everyone on the title need to be 62 or older?

No. As long as one borrower is 62 or older, the spouse can be less than 62 as long as they are classified as a Non-Borrowing Spouse. They must attend counseling, sign all appropriate documentation and the Principal Limit (Benefit) will be based on the youngest age. If they meet the requirements of an eligible Non-Borrowing Spouse when the Borrower passes away, they can continue to occupy the property, but they cannot receive any future benefits such as monthly payments and/or access to the line of credit.

Frequently Asked Questions

Do I have to pay anything out of pocket?

Counseling fee and appraisal fee upfront, everything else can be financed into the HECM loan.

What's the difference between a HECM and a HELOC loan?

With a traditional mortgage loan or Home Equity Line of Credit (HELOC), you make monthly loan payments. However, with a HECM loan, you make monthly mortgage payments.

What can I do with the loan proceeds?

The net cash proceeds from the HECM loan can be used for any reason. Many borrowers use it to supplement their retirement income, pay off other debt(s), pay for medical expenses, or remodel their home.

Frequently Asked Questions

What are the options for receiving my proceeds?

You can receive your money in a lump sum, a monthly payment, a line of credit, or a combination of the monthly payment and credit line options.

When will I be required to repay my Reverse Mortgage?

The HECM loan will come due when the home is no longer your primary residence. Below are additional examples of situations that would trigger HECM repayment:

- You sell your house or transfer the title to another person
- If you do not occupy your home for a period of more than twelve consecutive months because of physical or mental illness
- You do not maintain the home according to FHA requirements
- You do not pay required property taxes and/or homeowner's insurance

Frequently Asked Questions

Do I have to pay income taxes on the proceeds?

No. HECM loan proceeds are not taxed as income. This tax treatment is similar to other types of loans that need to be repaid, such as personal loans, home equity loans, and home equity lines of credit (HELOCs). Additionally, the reverse mortgage funds do not affect your Social Security or Medicare benefits.

HECM Loan Safeguards

Federal Housing Administration (FHA) insured

HECM loans are FHA insured. You are always protected against lender insolvency and will continue to have access to your available equity.

Independent Counseling by HUD

Independent counselors which are approved by HUD provide you with objective information, and help you understand the process.

HECM is a non-recourse loan

If you sell the home to repay the loan, you or your heirs will never owe more than the loan balance or the value of the property, whichever is less.

First-year limit on loan proceeds

Borrowers are only allowed to take a percentage of their total available funds in the first year of the loan.

Protection for non-borrowing spouse

Upon passing of the last remaining borrower, an eligible non-borrowing spouse may be able to have the repayment of the reverse mortgage deferred if certain requirements are met.

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jkennedy@kennedymtg.com
Kennedymtg.com

KENNEDY MORTGAGE

About Kennedy Mortgage

Kennedy Mortgage specializes in helping individuals and families with securing financing for their home purchases. With a passion for helping clients achieve their dreams of home ownership, I leverage my expertise and experience to make the mortgage process a seamless and stress-free experience, from the initial consultation to the closing of the transaction.

With 20-plus years of experience in the mortgage industry, I have cultivated a proven track record of delivering exceptional results. I am committed to building long-lasting relationships based on trust, integrity, and transparency.

Areas of Expertise:
- First-time Home Buyers
- Reverse Mortgages
- Self-Employed Borrowers
- Borrowers With Past Credit Problems

My commitment to continuous learning drives me to stay up-to-date with industry trends and lending regulations to provide you with the most up-to-date information.

If you're seeking a trusted mortgage lender and you're in the market for a new home, looking to refinance your existing mortgage, or have any questions about the mortgage process, please feel free to connect with me. James Kennedy, Owner