A REVERSE MORTGAGE LOAN AS A FINANCIAL PLANNING TOOL

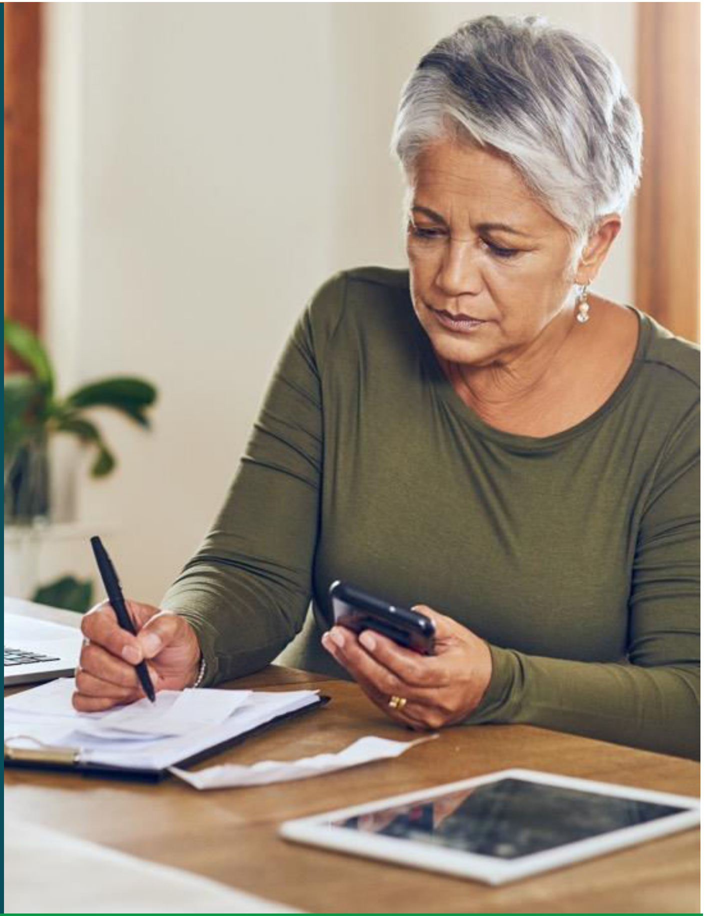
Rob Kanyur
robk@fairwaymc.com

FAIRWAY®
INDEPENDENT MORTGAGE CORPORATION

Did you know…

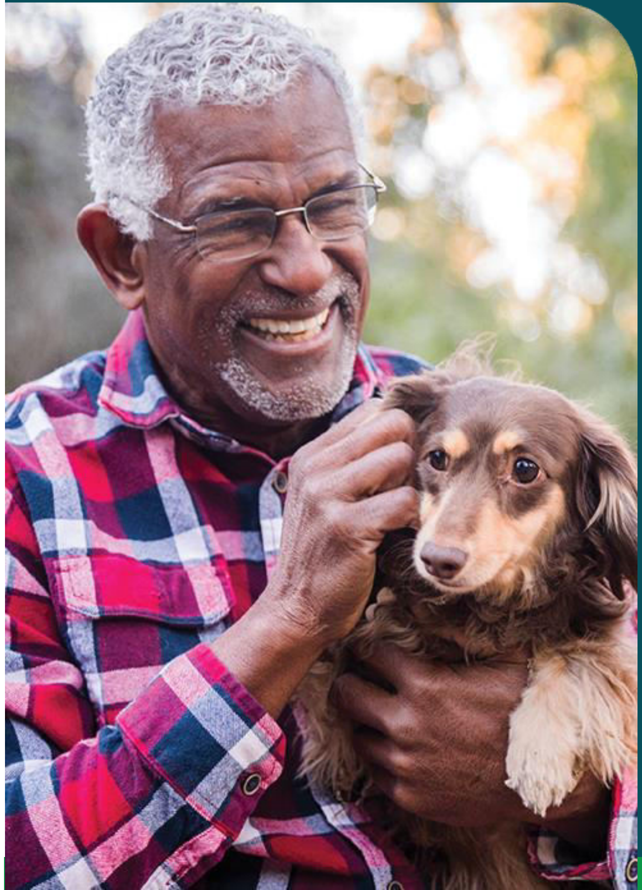
- 44 percent of American homeowners ages 60 to 70 carry a mortgage into retirement
- 70 percent said they might never pay it off *

Source: www.washingtonpost.com/business/2018/10/08/these-retirees-say-pay-off-that-mortgage-before-retiring/



What you will learn

- Challenges Today's Retirees Face
- Introduction To Reverse Mortgages
- Strategic Uses Of Reverse Mortgages
- Why Fairway



CHALLENGES TODAY'S RETIREES FACE

FAIRWAY®
INDEPENDENT MORTGAGE CORPORATION

A Retirement Crisis Looms

- Americans are living longer
- Many Boomers are not financially well-prepared for retirement
- Fewer pensions & defined benefit plans, and less savings
- Today's retirees are counting on primary financial strategies (401k's, savings) that may not be enough
- More than three-quarters of retired Americans have debt

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

A Retirement Crisis Looms

Retire at 62 years old

84% would be in jeopardy of running out of money

Retire at 66 years old

50% would still be likely to run out of money

Source: Center of Retirement Research at Boston College

Source: "Falling Short: The Coming Retirement Crisis and What To Do About It," by Charles D. Ellis, Alicia H. Mennell & Andrew D. Eschtruth

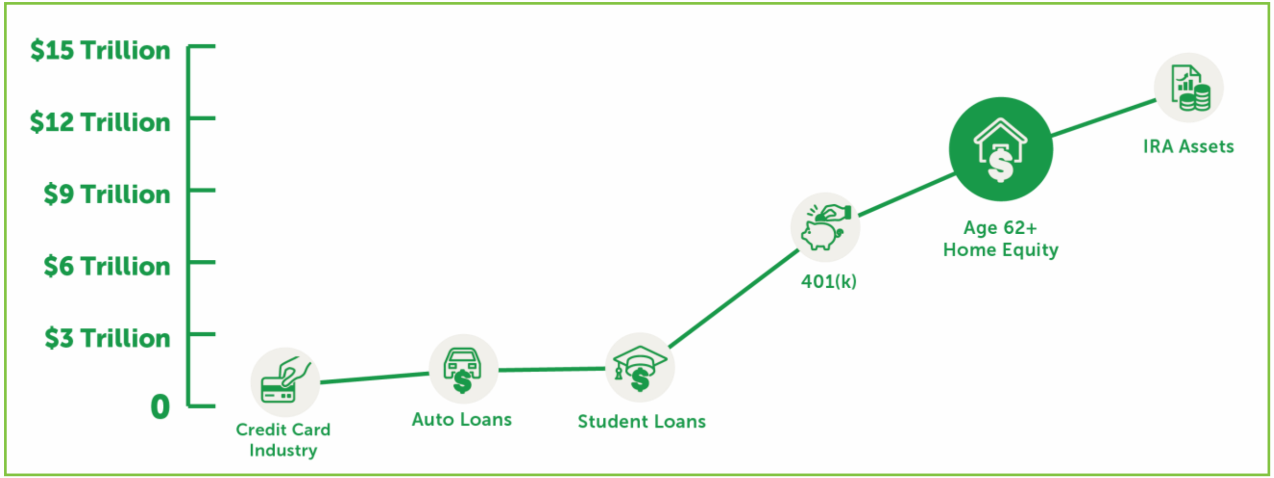
FAIRWAY INDEPENDENT MORTGAGE CORPORATION

Top Retirement Worries

- Market volatility and inflation
- Outliving their retirement savings
- How to pay for health care costs
- Financial shocks
- Preserving legacy
- Still carrying a mortgage and other debt
- Not being able to continue to live in their home in a safe, sustainable way

There's a Bright Spot: Housing Wealth

U.S. homeowners age 62+ are sitting on over $11 trillion in housing wealth.



Leveraging Home Equity

Home equity is often overlooked or dismissed in retirement planning.

"For most people, the use of home equity is no longer a question of if, but when and how."

- Jay Greenberg, Sc.D, CEO
National Council on Aging (NCOA)

FAIRWAY
INDEPENDENT MORTGAGE CORPORATION

INTRODUCTION TO REVERSE MORTGAGES

FAIRWAY® INDEPENDENT MORTGAGE CORPORATION

What is a Reverse Mortgage Loan?

- A home-secured loan designed for older-adult homeowners
- Enables the borrower to convert a percentage of home equity into tax-free* cash
- No required monthly principal and interest mortgage payments
- Borrower must pay the property charges, like taxes and insurance

*This advertisement does not constitute tax and/or financial advice from Fairway.

What is a Home Equity Conversion Mortgage (HECM)?

- Most common reverse mortgage – over 1 million Americans have used a HECM
- Only reverse mortgage insured by the Federal Housing Administration (FHA)
- Maximum limit borrower can borrow against is $1,089,300
- Program launched in 1989
- Many amendments since to improve consumer protections

What are Proprietary Reverse Mortgages?

Proprietary, or private, reverse mortgages are investor-owned reverse mortgage products.

They cater to older-adult homeowners who:

- Have a very high property value ($1 million+)
- Live in a non-FHA approved condo complex
- Are somewhat younger than 62
- Want to avoid a Mortgage Insurance Premium (MIP)

Top HECM Consumer Protections

- Non-recourse feature. Borrower or heirs won't owe more than the appraised value of the home at time of repayment*
- Borrowers must receive counseling from a HUD-approved agency
- Initial disbursement limits
- Financial assessment
- Non-borrowing spouse protections – due and payable status may be deferred
- Line of credit is secure and unused line of credit grows, regardless of home value

**There are some circumstances that will cause the loan to mature and the balance to become due and payable. Borrower is still responsible for paying property taxes, insurance and maintenance of home. Credit is subject to age, property and some limited debt qualifications. Program rates, fees, terms and conditions are not available in all states and subject to change.*

FAIRWAY® INDEPENDENT MORTGAGE CORPORATION

Basic Requirements to Qualify for a HECM

- Borrower(s) must be 62 or older
- Must be the homeowner
- Must own the outright or have significant equity
- Must use the home as a primary residence
- Must meet minimum credit and income requirements

Eligible Property Types for a HECM

- Single-family residences
- 2- to 4-unit properties, so long as the borrower occupies one unit
- Townhomes
- Condos in a HUD-approved condominium project
- Condo units that qualify for single-unit approval (SUA)
- Planned unit developments (PUDs)
- Modular homes
- Manufactured homes that meet FHA requirements

Options to Receive HECM Loan Proceeds

- A Single-Disbursement Lump Sum
- Fixed Monthly Advances
- A Line of Credit
- Both Monthly Advances and a Line of Credit

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

How much money can my client get with a Reverse Mortgage?

The amount of money you can get depends on:

- Age of the youngest borrower (or non-borrowing spouse)
- The interest rate you get on your loan
- The lesser of your home value or the HECM loan limit of $1,089,300

Note: Any mortgages (liens) on the home must first be paid off in full — borrowers typically use reverse mortgage loan proceeds at closing to pay off an existing mortgage.

How much money can my client get with a Reverse Mortgage?

HYPOTHETICAL EXAMPLE

Youngest Borrower's Age: 74

Expected Rate: 5.50%

Home Value: $600,000

[X]

PFL: 45.80%

[=]

Available Loan Proceeds: $274,800

PLFs for Selected Ages and Rates

Expected Interest Rates

AGE	5.00%	5.125%	5.25%	5.375%	5.50%
72	46.70%	46.00%	45.40%	44.70%	44.10%
73	47.50%	46.90%	46.20%	45.60%	44.90%
74	48.30%	47.70%	47.00%	46.40%	45.80%
75	49.20%	48.60%	47.90%	47.30%	46.70%
76	49.80%	49.20%	48.60%	47.90%	47.30%

SOURCE: Hultquist, Dan. Understanding Reverse - 2020: Simplifying the Reverse Mortgage (p. 22). Kindle Edition.

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

What Causes the HECM Loan to Become Due and Payable?

- Sell your home
- Transfer the title to someone else
- Last surviving borrower moves out permanently
- Default on the loan terms
- Last surviving borrower passes away

FAIRWAY
INDEPENDENT MORTGAGE CORPORATION

How Is the HECM Loan Balance Repaid?

Loan IS NOT YET due and payable

Borrower can pay as much or as little toward the loan balance each month as they wish.

OR

Borrower can make no monthly payments at all *(must pay property charges, like taxes and insurance).*

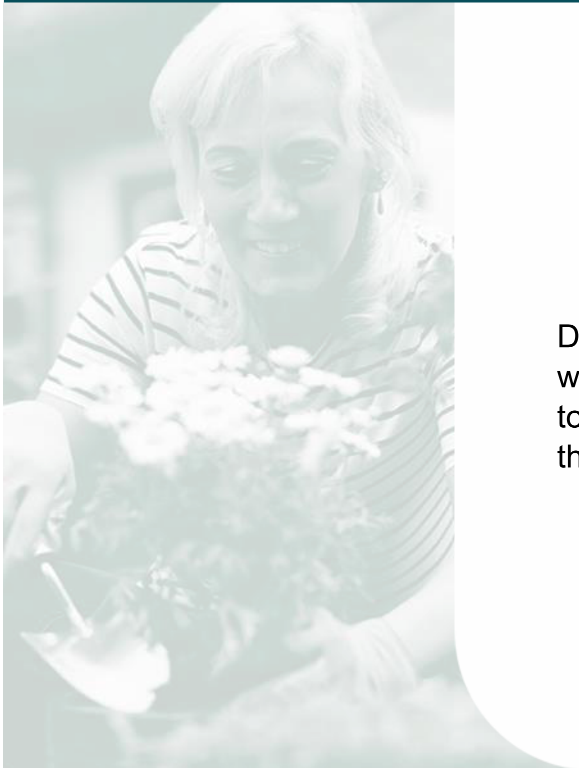
MATURITY EVENT HAPPENS

Loan IS due and payable

Loan is typically satisfied via the sale of the home.

HECMs are non-recourse loans — the sale of the home will always satisfy the loan repayment obligation. Neither the borrower nor their heirs will be personally liable for any balance deficiency.

Options for Heirs Who Inherit A Reverse Mortgaged Home



Is there any equity left?

Do heirs want to keep the home?	YES	NO
	Pay off or refinance the loan balance	Purchase the home with a short payoff of 95% of the appraised home value
	Sell the home and pocket any profits	Sign a deed-in-lieu of foreclosure and walk away from home

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

Introducing a Paradigm Shift

PARADIGM SHIFT:
A change in one's perspective or thinking

THE OLD DAYS:

- The loan of last resort
- For people who are in financial distress

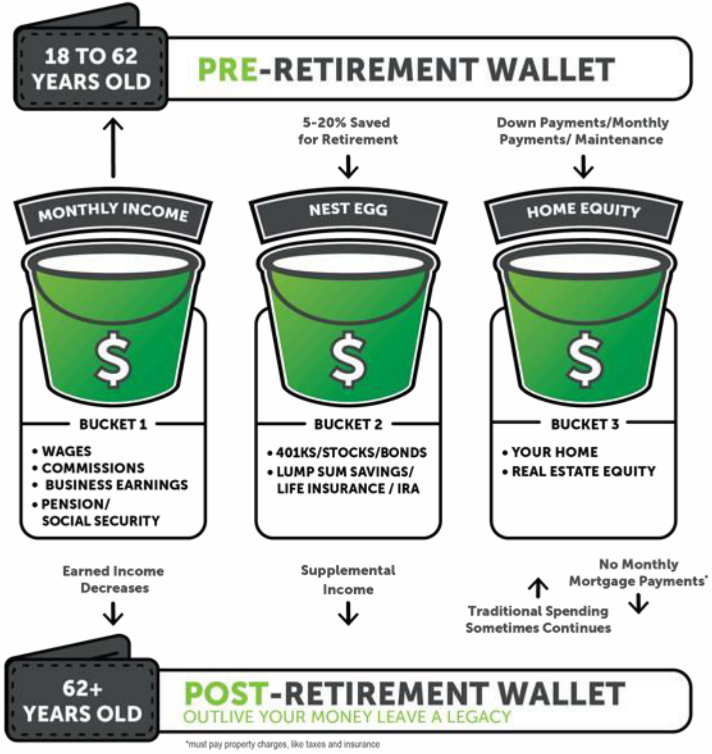
TODAY:

- Financial planning tool*
- Best used at 62 with line of credit to assist with future home equity value*

**This advertisement does not constitute tax and/or financial advice from Fairway.*

STRATEGIC USES OF REVERSE MORTGAGES

The Three Buckets of Wealth



Advantages of a HECM Line of Credit

- It GROWS – The unused portion of the Line of Credit grows at the same compounding rate as the loan balance. For your client that means greater borrowing capacity over time.

- It's SECURE – cannot be capped, frozen, or eliminated due to market conditions.

- It's LIQUID home equity – can be borrowed, paid back, and borrowed again.

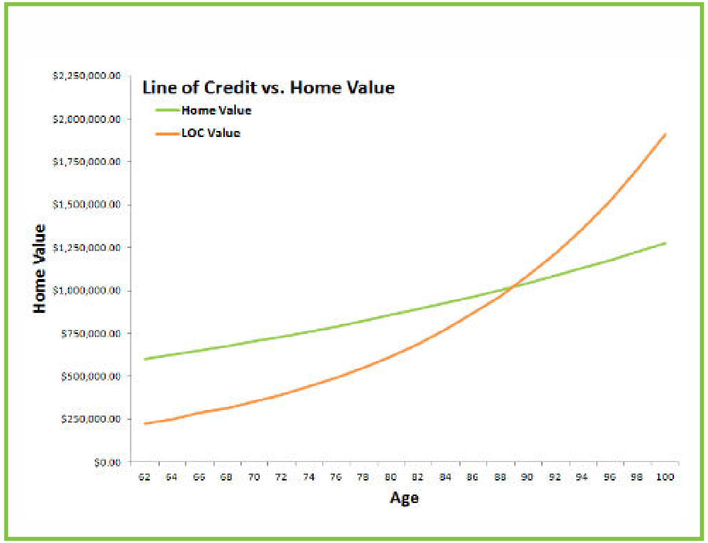
HECM Line of Credit Growth

62-YEAR-OLD BORROWER

- Home Value: $600,000
- Available LOC: $223,506

BORROWER AT AGE 89

- Home Value: $1,024,132
- Available LOC: $1,026,643



*Client can withdraw from the LOC and reinvest back tax-free at any time**

This information is provided as a guideline; the actual reverse mortgage loan available funds are based on current interest rates, current charges associated with loan, borrower date of birth and standard closing cost. Interest rates and loan fees are subject to change without notice. This advertisement is not tax or financial advice. You should consult a tax and/or financial expert for your specific situation.

Ways Reverse Mortgages Can Help Your Clients

- Improve cash flow
- You could help your clients coordinate between spending from their investments and their reverse mortgage
  - Line of credit can serve as standby portfolio protection*
  - Potentially better protect their investment portfolio from market volatility*
  - Could make their investments last longer (keep more assets under your management) while net worth will not necessarily decrease*

This advertisement does not constitute tax and/or financial advice from Fairway.

Ways Reverse Mortgages Can Help Your Clients

- Loan proceeds could be used to fund:
  - Medical expenses and long-term care (self-fund or pay for LTC insurance premiums)
  - Home renovation projects
  - Large purchases, like a new car
  - And more
- Refinance an existing mortgage to remove the burden of fixed monthly mortgage payments. Client would still be responsible maintaining the home and paying the property charges, like taxes and insurance.

FAIRWAY
INDEPENDENT MORTGAGE CORPORATION

Ways Reverse Mortgages Can Help Your Clients

- Consolidate high-interest debt, like credit cards
- Use to get the most lifetime value from their Social Security benefits*
- Use as a tax management tool to receive deductions when needed, to pay for Roth conversion costs, or to withdraw less from IRAs and other taxable sources*
- Use a growing line of credit to hedge against declining home values*
- To buy a new home that better fits their needs

*This advertisement does not constitute tax and/or financial advice from Fairway.

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

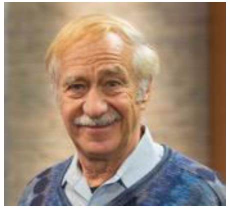
Academic Research

Wade Pfau, PhD, CFA

Incorporating Home Equity into a Retirement Income Strategy

John Salter, PhD, CFP, AIFA

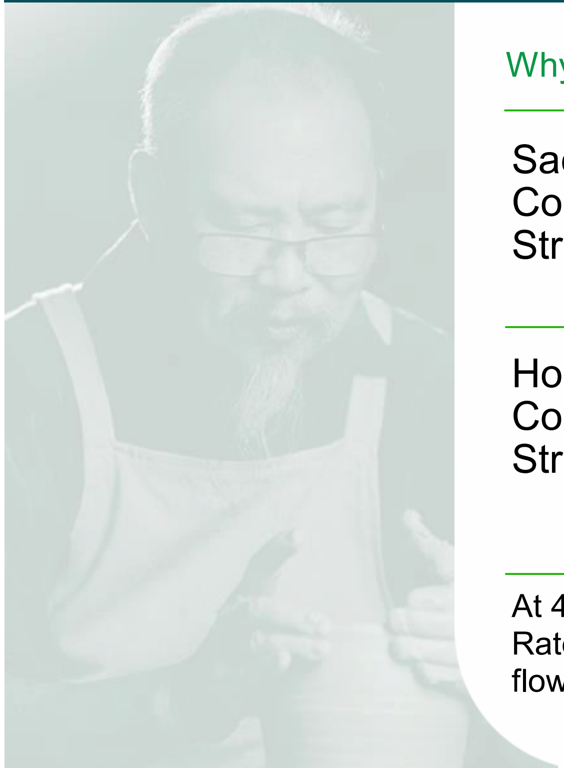
Standby Reverse Mortgages: A Risk Management Tool
for Retirement Distributions



Barry H. Sacks, JD, PhD

Reversing the Conventional Wisdom:
Using Home Equity to Supplement Retirement Income

Incorporating Home Equity into Retirement Income Strategy



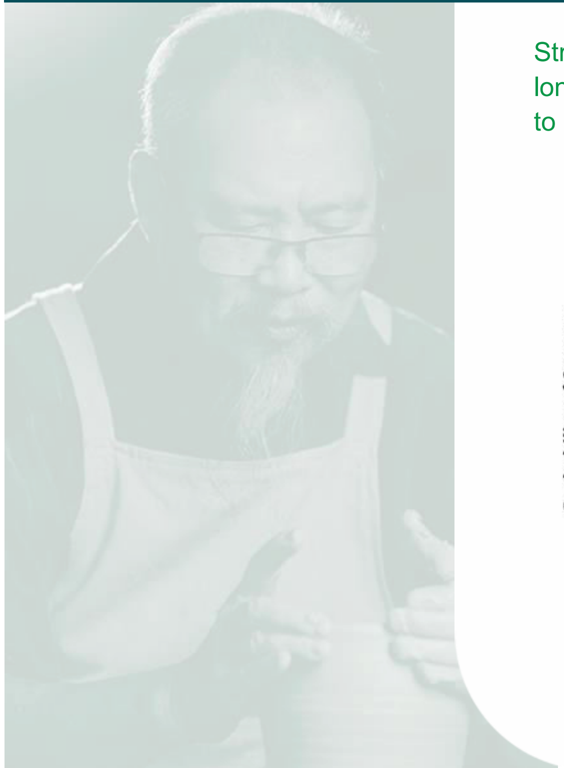
Why 62, not 82, may be the best time to secure a Reverse Mortgage

Sacks & Sacks Coordinated Strategy	**Open HECM line of credit early** 78% Cash Flow Survival Rate 4% Post-Tax Initial Withdrawal Rate based on 32-year investment return
Home Equity Last Resort Conventional Passive Strategy	**Delay opening a line of credit until portfolio is depleted** 60% Cash Flow Survival Rate 4% Post-Tax Initial Withdrawal Rate based on 32-year investment return
At 4% Post-Tax Initial Withdrawal Rate, ignoring home equity, cash flow survival probability is 35%	**Ignore home equity**

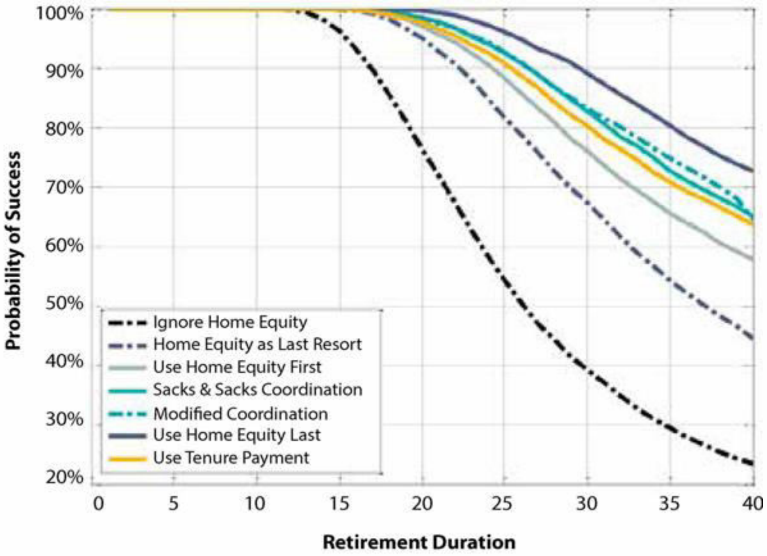
**This advertisement does not constitute tax and/or financial advice from Fairway.*

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

Incorporating Home Equity into Retirement Income Strategy



Strategies that open the HECM line of credit early but then delay its use for as long as possible offered increasing success rates as more line of credit was available to be drawn from if and when it was needed.



SOURCE: PhD, Pfau, Wade, "The Retirement Researcher's Guide Series Reveres Mortgages, How to use Reverse Mortgages to Secure your Retirement"

**This advertisement does not constitute tax and/or financial advice from Fairway.*

FAIRWAY®
INDEPENDENT MORTGAGE CORPORATION

Example: Coordinated Strategy

COORDINATED STRATEGY

- AGE 62
- Available LOC: $325,350
- IRA VALUE: $1,392,688
- DISBURSEMENT: 6%

PASSIVE STRATEGY

- AGE 82
- IRA VALUE: $339,022
- DISBURSEMENT: 6%

Period	Investment Value	Rate of Return %	Distribution	HECM Draw	Total HECM Draws	Y/E Loan Balance	Available Credit Line	Max Credit Line
1/1/02	$1,000,000		6.00%				$250,000	$250,000
12/31/02	$780,300	-21.97%		$48,000	$48,000	$48,986	$210,552	$259,538
12/31/03	$941,593	28.36%	$60,000		$48,000	$50,855	$218,584	$269,440
12/31/04	$982,720	10.74%	$60,000		$48,000	$52,795	$226,924	$279,719
12/31/05	$970,186	4.83%	$60,000		$48,000	$54,810	$235,581	$290,391
12/31/06	$1,061,632	15.61%	$60,000		$48,000	$56,901	$244,569	$301,469
12/31/07	$1,059,809	5.48%	$60,000		$48,000	$59,071	$253,899	$312,971
12/31/08	$672,449	-36.55%		$48,000	$96,000	$110,311	$214,600	$324,911
12/31/09	$786,882	25.94%	$60,000		$96,000	$114,520	$222,787	$337,307
12/31/10	$843,498	14.82%	$60,000		$96,000	$118,889	$231,287	$350,176
12/31/11	$801,211	2.10%	$60,000		$96,000	$123,425	$240,111	$363,535
12/31/12	$868,524	15.89%	$60,000		$96,000	$128,134	$249,271	$377,405
12/31/13	$1,087,754	32.15%	$60,000		$96,000	$133,022	$258,781	$391,803
12/31/14	$1,174,819	13.52%	$60,000		$96,000	$138,097	$268,654	$406,751
12/31/15	$1,131,031	1.38%	$60,000		$96,000	$143,366	$278,903	$422,269
12/31/16	$1,204,153	11.77%	$60,000		$96,000	$148,835	$289,544	$438,379
12/31/17	$1,404,371	21.61%	$60,000		$96,000	$154,513	$300,590	$455,104
12/31/18	$1,344,966	-4.23%		$48,000	$144,000	$209,395	$263,072	$472,467
12/31/19	$1,704,730	31.21%	$60,000		$144,000	$217,383	$273,109	$490,492
12/31/20	$1,951,922	18.02%	$60,000		$144,000	$225,677	$283,528	$509,205
12/31/21	$2,447,635	28.47%	$60,000		$144,000	$234,286	$303,641	$537,928
	$2,447,635	10.96%	$1,020,000	$144,000	$144,000	$234,286	$303,641	$537,928

FAIRWAY
INDEPENDENT MORTGAGE CORPORATION

Example: Passive Strategy

Coordinated Strategy Leaves Client With:

Higher IRA Value

No HECM		HECM
$1,457,744	IRA Value	$2,447,635

Greater Liquid Assets Available

No HECM		HECM
$1,457,744	IRA Value	$2,447,635
$0.00	Remaining Available LOC	$303,641.29
$1,457,744		**$2,751,276**

Greater Net Asset Value

No HECM		HECM
$1,457,744	IRA Value	$2,447,635
$0.00	HECM Loan Balance	-$234,286
$1,457,744		**$2,213,348**

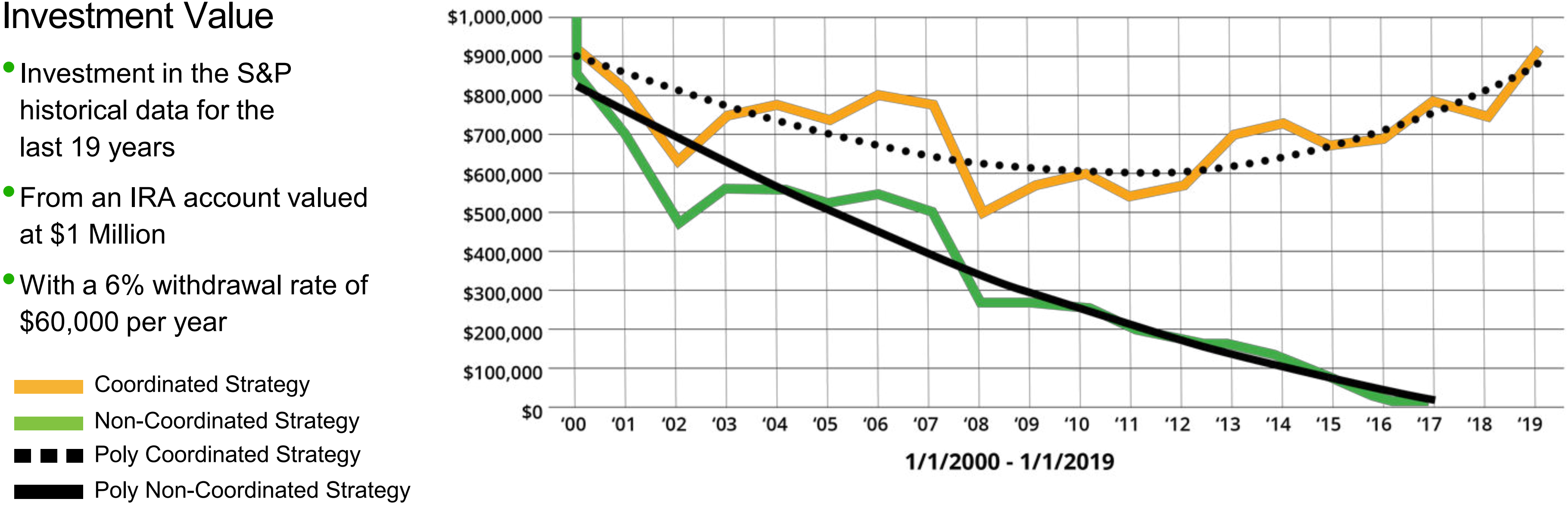
Period	IRA Value	Rate of Return %	Distribution
1/1/02	$1,000,000		6.00%
12/31/02	$720,300	-21.97%	$60,000
12/31/03	$864,577	28.36%	$60,000
12/31/04	$897,433	10.74%	$60,000
12/31/05	$880,779	4.83%	$60,000
12/31/06	$958,268	15.61%	$60,000
12/31/07	$950,781	5.48%	$60,000
12/31/08	$543,271	-36.55%	$60,000
12/31/09	$624,195	25.94%	$60,000
12/31/10	$656,701	14.82%	$60,000
12/31/11	$610,492	2.10%	$60,000
12/31/12	$647,499	15.89%	$60,000
12/31/13	$795,670	32.15%	$60,000
12/31/14	$843,244	13.52%	$60,000
12/31/15	$794,881	1.38%	$60,000
12/31/16	$828,438	11.77%	$60,000
12/31/17	$947,464	21.61%	$60,000
12/31/18	$847,386	-4.23%	$60,000
12/31/19	$1,051,855	31.21%	$60,000
12/31/20	$1,181,400	18.02%	$60,000
12/31/21	$1,457,744	28.47%	$60,000
	$1,457,744	10.96%	$1,200,000

FAIRWAY® INDEPENDENT MORTGAGE CORPORATION

HECM Life Boat

Investment Value

- Investment in the S&P historical data for the last 19 years
- From an IRA account valued at $1 Million
- With a 6% withdrawal rate of $60,000 per year



**This advertisement does not constitute tax and/or financial advice from Fairway.*

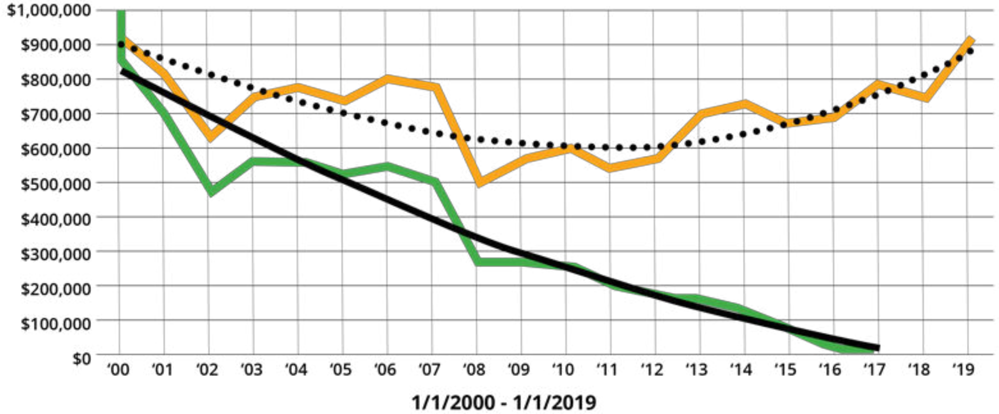
FAIRWAY INDEPENDENT MORTGAGE CORPORATION

HECM Life Boat

COORDINATED STRATEGY

- Outperformed the non-coordinated strategy after 19 years by $912,672, which is a 15.2 additional years of withdrawals from the IRA account, not calculating growth.
- The Available line of credit started at $250,000 and still would have $207,697 available for withdrawals.

Investment Value



SUMMARY

$912,672 (Coordinated IRA Value) - $541,459 (HECM Loan Balance) = $371,213 (Greater Net Asset Value)

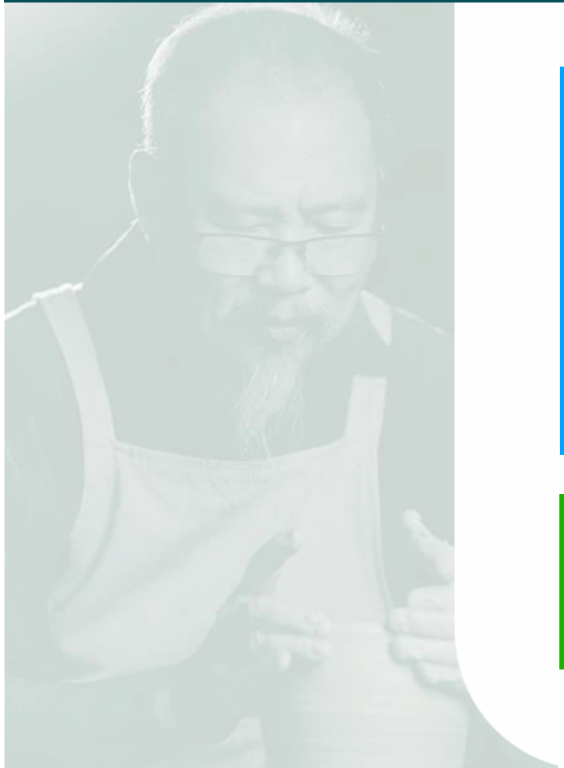
$371,213 (Greater Net Asset Value) + $150,145 (Additional Funds withdrawn from IRA in 2017,'18,'19) = $521,258

**This advertisement does not constitute tax and/or financial advice from Fairway.*

Planning for Long-Term Care (LTC)

Long Term Care continues to be the greatest threat to your clients' income, assets, and planned legacy for the next generation.

Average LTC Costs



HOME HEALTH CARE

$59,488 Annually

- Alzheimer’s care
- Meal prep and diet monitoring
- Light housekeeping
- Errands or shopping

ASSISTED LIVING FACILITY

$54,000 Annually

- Private apartments
- On-site nursing
- Help with daily living
- Help with medication

NURSING HOME CARE

$108,405 Annually (PRIVATE)

- Full-time in-facility care
- Advanced LTC
- Therapy, rehabilitation, medication
- Skilled 24-hour nursing

MEDICAID only pays for shared rooms

- 95% of people have no Long-Term Care (LTC) insurance
- Over 50% will need LTC insurance

Source: Genworth 2021 Cost of Care Survey

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

HECM & LTC

- Establish HECM line of credit at 62 (earliest age possible) to maximize growth of unused funds* (future borrowing capacity)
- Use loan proceeds to self-fund LTC if needed or to pay for LTC insurance premiums
- HECM proceeds may be used to shield home equity in certain situations, such as a spouse who is moving into nursing home and needs to qualify for Medicaid*. (Note: Both spouses must be on the reverse mortgage)

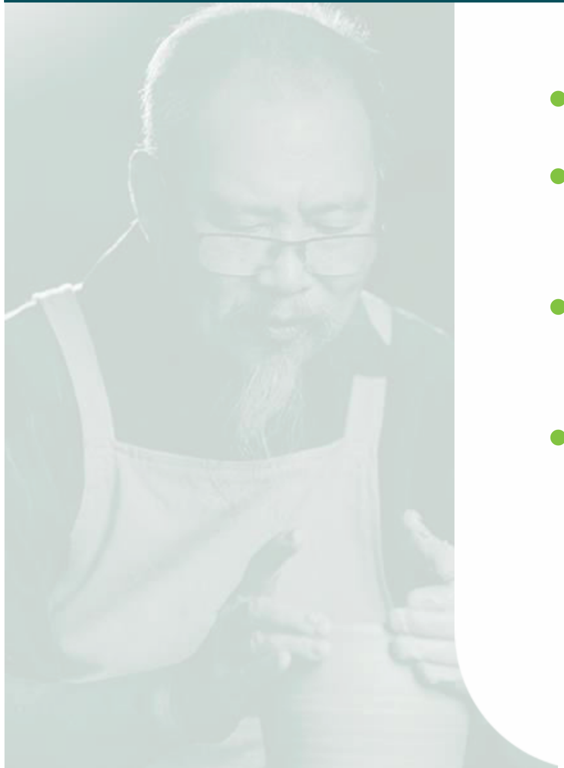
**This advertisement does not constitute tax and/or financial advice from Fairway.*

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

Life Insurance

- Pay for life insurance policies
- Replace home asset
- Estate planning — leave behind a larger legacy

Rightsizing to a new home (HECM for Purchase)



- Buy a home that better fits their needs
- Must put down about half the purchase price* from their own funds — the balanced is financed with the HECM
- No required monthly mortgage payments. Your client must pay the property charges, like taxes and insurance.
- Feels a lot like an all-cash purchase, but your client gets to use more of their retirement assets as he/she wishes

**The required down payment on your new home is determined on a number of factors, including your age (or eligible non-borrowing spouse's age, if applicable); current interest rates; and the lesser of the home's appraised value or purchase price.*

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

Plus, Many Other Strategic Uses

- Stacking tax deductions
- Pay for health insurance — cover Medicare Gap from 62-62
- Dividing assets in a gray divorce situation
- Pay Roth conversion costs

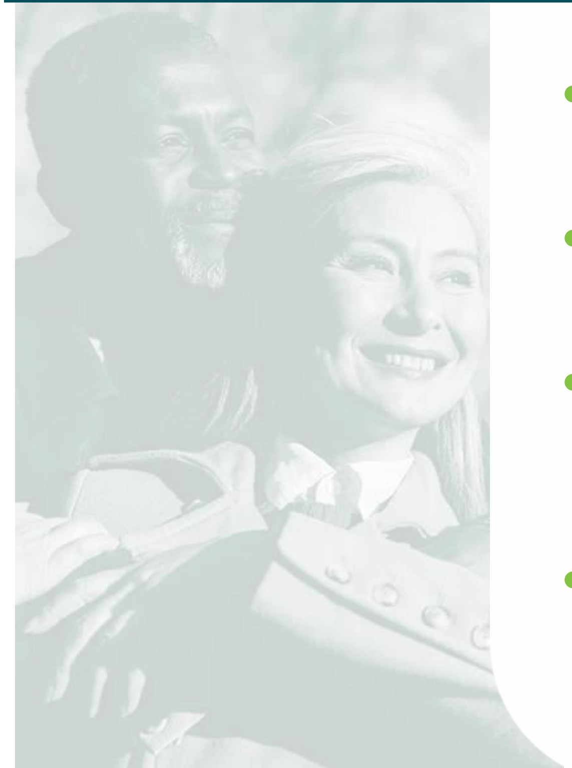
**This advertisement does not constitute tax and/or financial advice from Fairway.*

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

WHY FAIRWAY

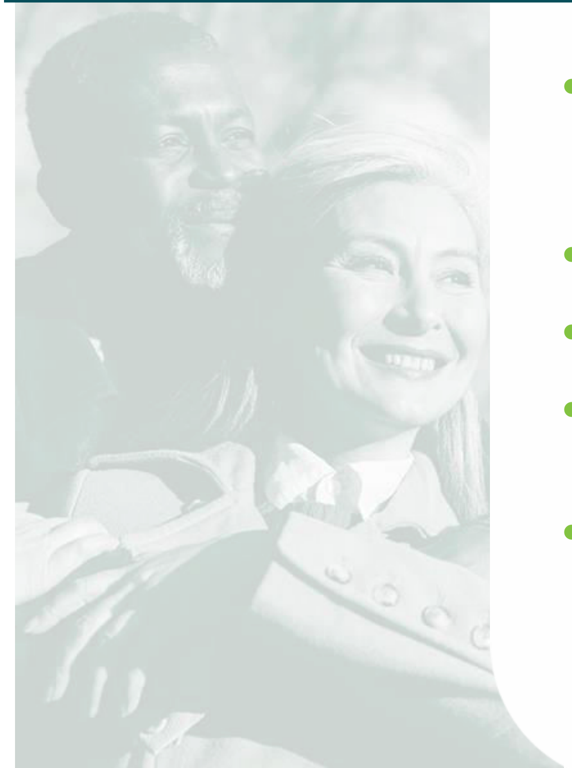
FAIRWAY
INDEPENDENT MORTGAGE CORPORATION

Why Work with A Fairway Reverse Mortgage Planner?



- We are dedicated to — and recognized for — providing unparalleled customer service
- We have a best fit, best product philosophy for your clients
- We are members of FPA, and we are a trusted partner of National Association of Insurance and Financial Advisors (NAIFA)
- We have specially trained Reverse Mortgage Planners across the country

Why Work with A Fairway Reverse Mortgage Planner?

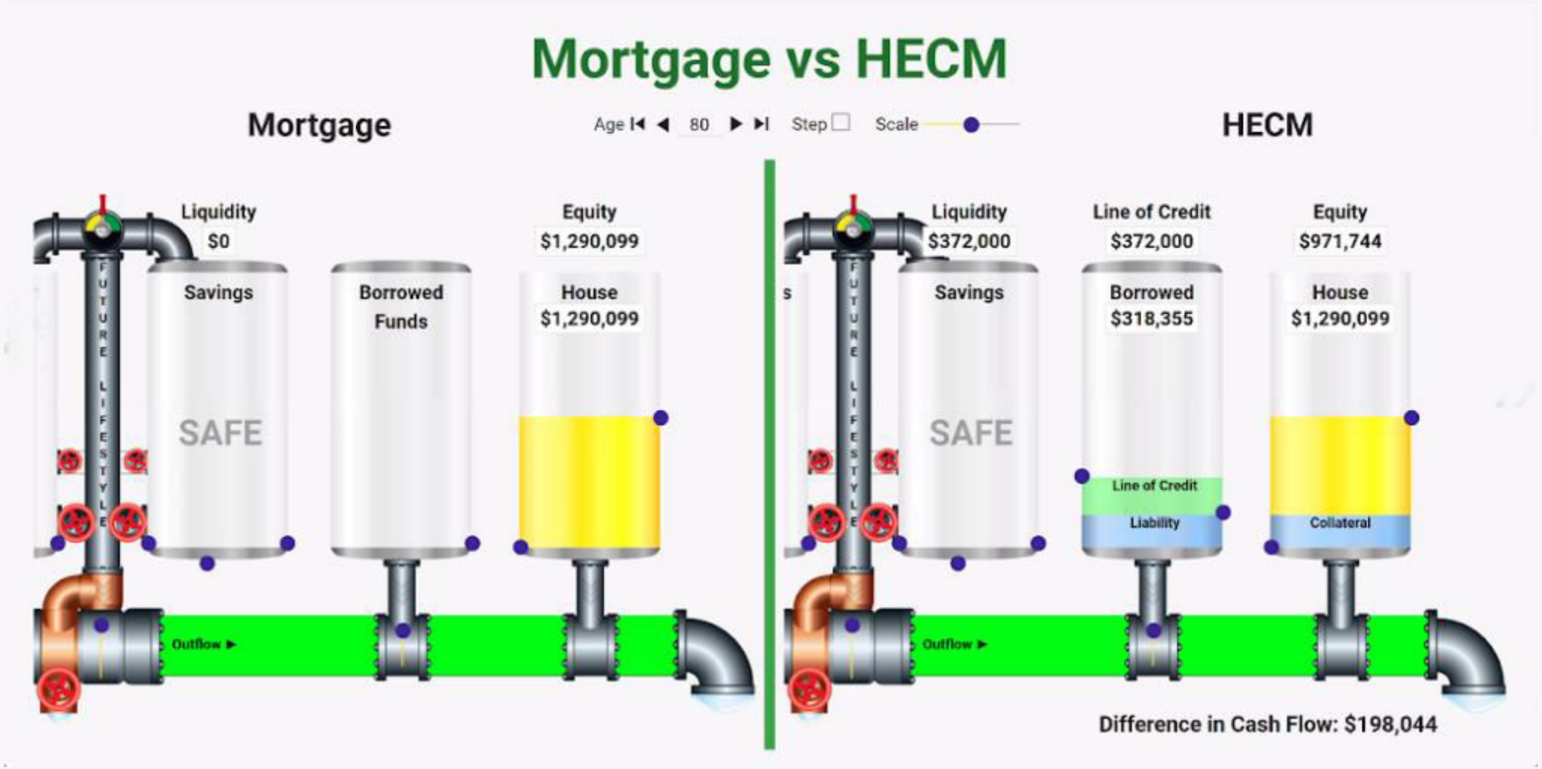


- We offer free educational seminars and live-stream webinars; books; collateral; and tools to help you and your clients to better understand the reverse mortgage product.
- Potential referral partnership
- We are one of the top reverse mortgage lenders in the nation.
- Opportunity to work with more senior clients — and improve more lives
- We can work together for possible CFP CE credit, office Lunch N' Learns, annual strategy sessions, and more.

EquityTrax

- EquityTrax is our proprietary tool
- Designed in partnership with Circle of Wealth and MoneyTrax
- Provides you and your clients with an easy-to-grasp, holistic view of your clients' retirement outlook, specifically as it relates to home equity

EquityTrax


Mortgage vs HECM
Mortgage
Age 80
Step
Scale
HECM
Liquidity
$0
Equity
$1,290,099
Savings
SAFE
Borrowed Funds
House
$1,290,099
FUTURE LIFESTYLE
Outflow ►
Liquidity
$372,000
Line of Credit
$372,000
Equity
$971,744
Savings
SAFE
Borrowed
$318,355
House
$1,290,099
Line of Credit
Liability
Collateral
Outflow ►
Difference in Cash Flow: $198,044

Fairway at a Glance

FAIRWAY®
INDEPENDENT MORTGAGE CORPORATION

26 YEARS

OF SERVICE, SPEED & SATISFACTION
Since 1996

LICENSED IN
ALL 50 STATES

#1 IN USDA PURCHASE UNITS & VOLUME
(FY 2021)

#1 LENDER IN HOME PURCHASE LOANS
HOUSINGWIRE 2020

#2 IN REVERSE PURCHASE LOANS
BY REVERSE MARKET INSIGHT NOVEMBER 2021

#3 LENDER IN PURCHASE VOLUME
HOUSINGWIRE 2020

#4 IN VA PURCHASE UNITS & #5 IN VOLUME
(FY 2021)

#5 TOP MORTGAGE COMPANY IN THE NATION
BY MORTGAGE EXECUTIVE MAGAZINE 2020

NAMED
TOP WORKPLACE USA
TOP WORKPLACES 2021

NAMED
THE BEST MORTGAGE LENDER FOR FHA LOANS
BY NERDWALLET 2020




Now more than ever, it's important to have reverse mortgages in your financial planning toolkit.

Contact me today *to find out how a reverse mortgage would apply to a specific client situation and receive a customized report.*

FAIRWAY®
INDEPENDENT MORTGAGE CORPORATION

Rob Kanyur
SVP of Fairway Reverse Lending Division & Retirement Mortgage Specialist | NMLS #204420
Cell: 602-361-1587
robk@fairwaymc.com
www.RobKanyur.com