

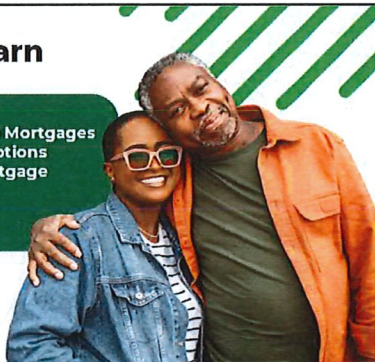
Reverse Mortgage Loans


What you need to know... With **Rob Kanyur**, Senior Vice President of Fairway Reverse Division, Branch Manager & Retirement Mortgage Specialist with Fairway Independent Mortgage Corporation.

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What You'll Learn


- Introduction To Reverse Mortgages
- Loan Qualifications & Options
- Using Your Reverse Mortgage
- Loan Maturity
- Why Fairway






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Introduction To Reverse Mortgages




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What is your opinion of Reverse Mortgages?



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What is your opinion of Reverse Mortgages?



They're great!

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What is your opinion of Reverse Mortgages?

They're great!

I've heard some bad things about them — I'm here to learn the facts.

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Are You 62 or Older & Concerned About ...

- Market volatility and inflation
- Outliving your savings
- Making monthly mortgage payments in retirement
- Not being able to continue to live in your home in a safe, sustainable way

A reverse mortgage loan could be the solution.

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What is a Reverse Mortgage Loan?

- A home loan exclusively for older adults
- Converts a percentage of your home equity into tax-free* cash
- No required monthly principal and interest mortgage payments
- Must continue paying property charges, like taxes and insurance

*The advertisement does not constitute an offer. Please consult a tax advisor regarding your specific situation.



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What is a Home Equity Conversion Mortgage (HECM)?

- A loan program launched in 1989 — now includes many amendments improving consumer protections
- The most-used reverse mortgage in the U.S.
- The only reverse mortgage insured by the Federal Housing Administration (FHA)
- Exclusively for those 62 and older




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Aren't Reverse Mortgages

Just a Loan of Last Resort?

NO! Today's reverse mortgages have wide appeal, including among affluent older adults.



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Aren't Reverse Mortgages

Just a Loan of Last Resort?

Primary reasons to get a reverse mortgage:

Need

To address an urgent need, like paying for in-home care



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Aren't Reverse Mortgages

Just a Loan of Last Resort?

Primary reasons to get a reverse mortgage:

Lifestyle Enhancement

To pay for things not in the budget, like travel



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Aren't Reverse Mortgages
**Just a Loan of
Last Resort?**



**Primary reasons to get a
reverse mortgage:**

Financial Planning
To maximize cash flow, reduce
taxes and minimize risks*


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**Reverse Mortgage
Pros & Cons**

PROS

- Source of cash flow
- No monthly mortgage payments
- Must still pay taxes, insurance and maintain the home
- Non-recourse loan



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**Reverse Mortgage
Pros & Cons**



CONS

- Minimum age requirement
- Interest and fees chip away at home equity
- Must be your primary residence

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Reverse Mortgage Myths

Debunked

Myth: The bank will own my home.

Fact: You own the home and remain on the title as long as you meet the loan terms.

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Reverse Mortgage Myths

Debunked

Myth: I must own my home free and clear to qualify for a reverse mortgage.

Fact: If you have sufficient equity, you can pay off any existing mortgages at closing using loan proceeds.

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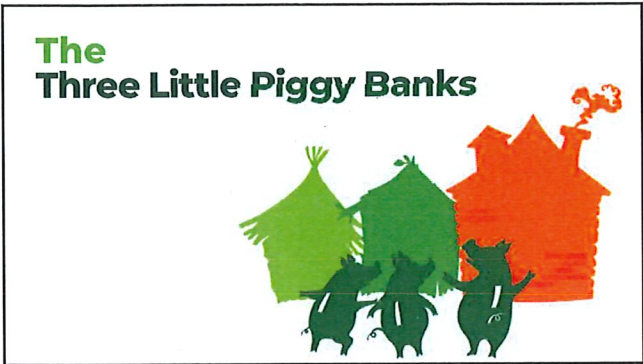
Reverse Mortgage Myths

Debunked

Myth: My heirs will be stuck with a big bill.

Fact: You, or your heirs, will never owe more than the value of the home after the loan matures and the home is sold.

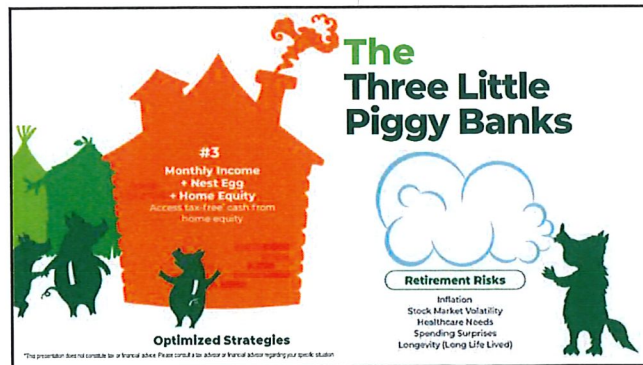
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Building a Sturdy Retirement

Include Home Equity in Your Retirement Cash Flow Strategy Using a HECM Loan to Potentially:

- Improve cash flow (access equity as cash / no monthly mortgage payments, so long as the borrower lives in the home, maintains it and pays property charges, like taxes and insurance)
- Mitigate retirement risks*
- Preserve nest egg (coordinate the use of home equity and nest egg to meet spending goals and still preserve as much legacy as possible*)

The piggy bank of home equity can help protect your "happily ever after."



*The presenter does not constitute for a financial advice. Please consult with a financial advisor regarding your specific situation.

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Ask Yourself...Why wouldn't you get a Reverse Mortgage?

"Used strategically, a reverse mortgage can greatly improve the sustainability of your retirement income."

- Wade Pfau, Ph.D.



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Loan Qualifications & Options



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Who Qualifies?


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



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What are the eligible property types?

- Single-family residences
- 2- to 4-unit properties (borrower must occupy 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




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How much home equity do I need?

You'll need roughly (at least) 50% home equity to qualify for a reverse mortgage.

\$400,000	-	\$100,000	=	\$300,000
Home Market Value		Mortgage		Home Equity



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How much home equity do I need?

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\$400,000

Home Market Value

- \$100,000

Mortgage

= \$300,000

Home Equity

75% of Market Value

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How much home equity do I need?

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\$400,000

Home Market Value

- \$100,000

Mortgage


= \$300,000

Home Equity

DID YOU KNOW?
The borrower can bring funds to closing to make up for any shortfall in home equity.


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How can I take my Reverse Mortgage Loan proceeds?



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How can I take my Reverse Mortgage Loan proceeds?



A Single-disbursement Lump Sum

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How can I take my Reverse Mortgage Loan proceeds?



Fixed Monthly Advances

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How can I take my Reverse Mortgage Loan proceeds?




A Line of Credit

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How can I take my Reverse Mortgage Loan proceeds?


Both Monthly Advances and a Line of Credit



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How much money can I 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

HECM: The maximum limit on the home equity loan is \$1,089,300. The maximum limit on the reverse mortgage loan is \$1,089,300. The maximum limit on the reverse mortgage loan is \$1,089,300.

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How much money can I get with a Reverse Mortgage?

Hypothetical Example
 Youngest Borrower's Age: 74
 Expected Rate: 7.25%
 Home Value: \$600,000
 [X]
 PLF: 37.90%
 [=]
 Available Loan Proceeds: \$227,400


PLFs for Selected Ages and Rates

Expected Interest Rates					
Age	7.00%	7.125%	7.25%	7.375%	7.50%
72	37.20%	36.70%	36.20%	35.70%	35.20%
73	38.10%	37.60%	37.10%	36.60%	36.10%
74	39.00%	38.40%	37.90%	37.40%	36.90%
75	40.00%	39.40%	38.90%	38.40%	37.90%
76	40.60%	40.10%	39.60%	39.10%	38.60%

SOURCE: https://www.hud.gov/program_offices/elder_housing/hcm

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Using Your Reverse Mortgage



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Advantages of a HECM Line of Credit

- The unused portion of the Line of Credit **GROWS!**
 - Grows at the same compounding rate as the loan balance
 - 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



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Reverse Mortgage 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

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Reverse Mortgage 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

Line of Credit vs. Home Value

Age	Home Value	Available LOC
62	\$600,000	\$223,506
89	\$1,024,132	\$1,026,643

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 turnover, date of loan and standardized loan interest rates and can vary as a result of change in interest rates. The information is not an offer of financial advice. You should consult your advisor for more information.

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

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Common Uses of a HECM

- Refinance a standard mortgage to eliminate monthly mortgage payments. Property charges, like taxes and insurance, must still be paid.
- Use the available line of credit as standby portfolio protection.

For example:
You could use a reverse mortgage to enhance your cash flow in economic downturns, which could make your investments last longer while possibly protecting your net worth.*

*The above information is not intended to be a recommendation or offer of financial advice. It is for informational purposes only.

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Common Uses of a HECM

- Increase cash flow to close a retirement income gap
- Get the most lifetime value from Social Security benefits*
- Help family now or donate to charitable organizations
- Use as a wealth multiplier to potentially pass a larger nest egg to the next generation*
- Pay for home renovations, in-home care or other big-ticket expenses
- Pay for long-term care insurance premiums

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Average Costs of Long-term Care

Home Health Care	Assisted Living Facility	Nursing Home Care
\$59,488 Annually	\$54,000 Annually	\$108,405 Annually (Private)
<ul style="list-style-type: none">Alzheimer's careMeal prep and diet monitoringLight housekeepingErrands or shopping	<ul style="list-style-type: none">Private apartmentsOn-site nursingHelp with daily livingHelp with medication	<ul style="list-style-type: none">Full-time in-facility careAdvanced LTCTherapy, rehabilitation and medicationSkilled 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, 2023 Cost of Care Survey

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How Is a Reverse Mortgage Used for Financial Planning?



A HECM can help you to:*

- Keep your adjusted gross income low
- Make your traditional retirement funds last longer
- Hedge against market risk or sequence-of-returns risk
- Insure against longevity or pay for long-term care
- Maximize other retirement contributions

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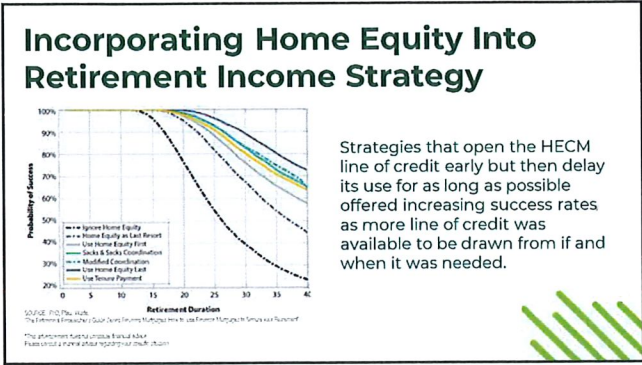
Incorporating Home Equity Into Retirement Income Strategy

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

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Top Consumer Protections

- Borrowers must receive counseling from a U.S. Dept. of Housing and Urban Development (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
- Non-recourse feature

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Can a Reverse Mortgage be used to buy a home?

Yes, through the Home Equity Conversion Mortgage for Purchase (H4P) Program.

- Upsize, downsize or rightsize into your ideal home
- Move closer to the grandkids!
- Put as little as 45%-65%* of the purchase price down from your funds
- Keep more of your retirement assets to use as you wish, compared to paying all cash
- No required monthly mortgage payments. Must pay property charges, like taxes and insurance

*The required down payment of your own money is determined by a number of factors, including your age, the property's location, and the loan-to-value ratio. The required down payment is typically 45% to 65% of the purchase price.

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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 younger than 62
- Want to avoid mortgage insurance premiums (MIP)



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Loan Maturity



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What Causes the HECM Loan To Be 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



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How Is the 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**

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How Is the Loan Balance Repaid?

**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.


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Options for heirs who inherit a Reverse- mortgaged home



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Options for heirs who inherit a Reverse- mortgaged home




Do heirs want to keep the home?

Is there any equity left?	
Yes	No
Yes	Purchase the home with a short payoff of 95% of the appraised home value
No	Sign a deed-in-lieu of foreclosure and walk away from home

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Why Fairway



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Why Fairway?

- We are a national, full-service lender with high customer satisfaction scores.
- As an FHA-approved lender, we are able to sell HECM reverse mortgages.
- We're dedicated to educating consumers and their family members, financial advisors and real estate agents on the pros and cons of reverse mortgages.
- We're committed to providing you with an AMAZING experience – from loan application to closing, and beyond.

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Fairway at a Glance

Over **27 YEARS** OF SERVICE, SPEED & SATISFACTION Since 1996

LICENSED IN ALL 50 STATES

TOP WORK PLACE 2022 USA

6,800+ TEAM MEMBERS

2,000+ PROPERTIES

650+ BRANDS*

\$42+ BILLION VOLUME IN 2022

#2 HIGH FOR PURCHASE VOLUME

#3 RETAIL HIGH FOR VOLUME LEADER

*Includes affiliate licenses

FY 2022 | Source: Research Navigator Insight


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