

CONSIDERING A REVERSE MORTGAGE?

What is a reverse mortgage?

A reverse mortgage is a distinctive form of home equity loan available to individuals aged 62 and older. This loan allows homeowners to convert a portion of their home equity into cash. In the context of a reverse mortgage, interest accrues monthly, contributing to the growth of the loan balance. Repayment becomes due when the last borrower, co-borrower, or eligible spouse sells the home, relocates, or passes away. The most prevalent type of reverse mortgage today is known as a Home Equity Conversion Mortgage (HECM), which is federally insured.

How does a reverse mortgage work?

After years of reducing your mortgage balance, you've accumulated equity in your home (the current value of your property minus the outstanding balance on your mortgage, home equity loan, or line of credit). A reverse mortgage allows you to borrow against this equity. The loan balance increases gradually over time, and you are not required to repay the loan as long as you or an eligible spouse continue to reside in the home. However, responsibilities such as paying taxes, insurance, and maintaining the property still apply. Upon the passing or relocation of both you and any eligible spouse, the loan must be settled. Typically, selling the home is the common approach to repay the loan. Importantly, neither you nor your heirs are obligated to repay an amount exceeding the home's current value.

ALWAYS PROCEED WITH CAUTION

1. Know your options — you may have a better choice.
2. Don't sign the loan documents unless you understand how the reverse mortgage works.
3. Have a serious talk with a federally approved housing counselor who specializes in reverse mortgages.



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IMPORTANT QUESTIONS TO ASK YOURSELF.

Can I wait until I'm older?

YES. It's best to wait as long as possible.

NO. Borrowing prematurely may deplete your resources later in life. Ensure you thoroughly explore all available options before making a decision.

Do I plan to remain in my home for a long time?

YES. A reverse mortgage usually makes more sense the longer you live in your home.

NO. If an imminent health issue or unforeseen event may prompt you to relocate in the near future, opting for a reverse mortgage can be a costly method to address short-term financial requirements.

Can I afford my living expenses, property taxes, and insurance?

ES. It's crucial to have other forms of savings for these.

NO. Facing foreclosure becomes a possibility if you exhaust funds to meet future property taxes, insurance, or other housing-related expenses.

Are the borrowers the only people who live in the home?

YES. You can continue to reside in the home until your departure or passing, provided you stay current on property taxes, insurance, and home maintenance. The same right applies if you are a co-borrower or eligible spouse.

NO. Any individual residing in the home who is not designated as a co-borrower or eligible spouse will need to vacate the premises or settle the loan upon your relocation or demise. When sharing a residence with a spouse or partner, it is typically advisable to apply as co-borrowers for the reverse mortgage. This arrangement ensures that if you secure a reverse mortgage, the co-borrower retains the option to receive payments from the loan and continue residing in the home after your departure or passing.



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CONSIDER YOUR OPTIONS.

A reverse mortgage shouldn't be your first choice. There are some alternatives that may work better for you and your situation.

WAIT

Securing a reverse mortgage at a younger age may lead to a depletion of funds in later years when the need is more critical. Borrowing capacity increases with age, meaning that the older a borrower is, the greater the amount they can secure through a reverse mortgage.

OTHER EQUITY

Alternative options for utilizing home equity include a home equity loan or a home equity line of credit, which may offer a more cost-effective means of borrowing against your equity. Nevertheless, it's important to note that these loans come with their own set of risks and often entail monthly payments, contingent on your income and credit standing.

REFINANCE

You might reduce your monthly mortgage payments by refinancing your existing mortgage with a new conventional mortgage.

LOWER YOUR MONTHLY EXPENSES

Explore state and local programs that can assist in deferring property taxes, reducing heating expenses, or cutting down on other bills. Additionally, contemplate the possibility of selling your home, as relocating to a more budget-friendly residence could be the most effective strategy to lower your overall expenses.



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CONSIDER YOUR OPTIONS.

Opting for a reverse mortgage provides the opportunity to save money by borrowing less and doing so gradually. For instance, borrowing a smaller amount in the initial year of your loan can result in reduced costs for mortgage insurance.

LINE OF CREDIT	MONTHLY PAYOUTS	SINGLE PAYOUT
With a line of credit, you only pay interest on money you use. The amount of money available to you grows over time.	This option proves beneficial when seeking extra monthly income to meet day-to-day living costs. You have the flexibility to combine a monthly payout with a line of credit.	Single disbursements typically provide a lesser amount of money compared to other HECM payout alternatives. Opting for a single disbursement means you'll incur interest on the disbursed amount, even if you don't immediately utilize the funds.

Regardless of the payout option chosen, there will be limitations on the amount of money accessible in the initial year. Another potential use for a reverse mortgage is in facilitating the acquisition of a new home. Utilizing the HECM for Purchase option requires a substantial down payment in cash or equity from a previous home, allowing the reverse mortgage to cover the remaining financing for the home purchase.



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HUD APPROVED HOUSING.

The most reliable information about reverse mortgages can be obtained through HUD-approved housing counseling. A thorough conversation with a counselor is essential for making well-informed decisions about your home. HUD-approved reverse mortgage counselors possess the latest information on this topic. Share all the details about your situation with your counselor to ensure you derive the maximum benefit from your counseling session.

When attending counseling, be ready to delve into the following topics:

- Your financial requirements and objectives
- Anticipated housing and financial needs of your spouse or partner
- The specific circumstances motivating your contemplation of a reverse mortgage
- Alternative options to a reverse mortgage that you've already explored

If you've received quotes from reverse mortgage lenders, it's advisable to bring them along for discussion so your counselor can assist in making comparisons.

Learn more about reverse mortgages and get your questions answered at www.loanproductionoffice.com



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