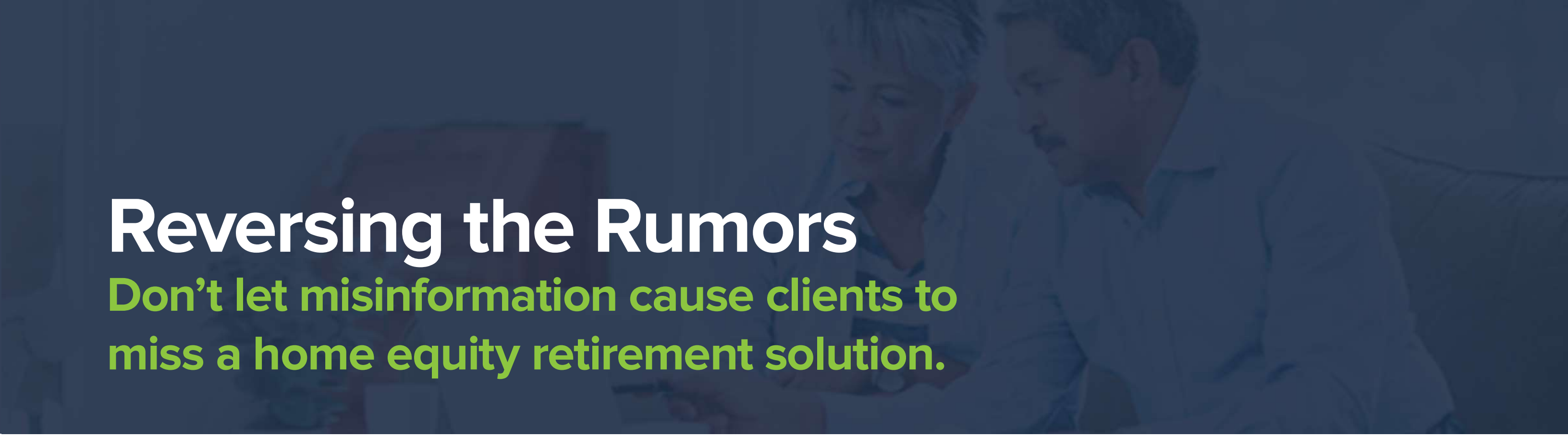


Reversing the Rumors

Don't let misinformation cause clients to miss a home equity retirement solution.

Unsure of how to start the conversation? This guide can help you educate your clients about the true value of home equity in strategic retirement planning.

Thanks to volatile markets, skyrocketing healthcare costs, and longer lifespans, traditional sources of retirement income aren't enough for many seniors to avoid outliving their assets.

And even though senior housing wealth is at record levels, most leave that wealth untapped. But for many older adults, their home is their biggest asset – and could be a reliable source of cash to help fund retirement, fight inflation, and live more comfortably.

That's why a Home Equity Conversion Mortgage (HECM), or reverse mortgage, can be an important part of a client's strategic plan. In fact, independent research by Professor Wade Pfau shows how accessing home equity can help create a more stable and successful plan.[1]

Educating clients. Addressing concerns.

A lot of what people hear about reverse mortgages – often from a relative or a "friend of a friend" – is outdated, or just plain wrong.

If a client says something like, **"I heard you should only get it if you're desperate,"** these simple truths can help them see why accessing home equity is a smart strategy:

Did you know home equity is one of your biggest assets?

Next to healthcare, housing is one of the biggest retirement expenses.

Home equity can help generate income to protect your invested assets, or create a 'safety net' for unexpected future expenses.

Reverse mortgages aren't for everyone – but it's worth looking into, to see if it can help you reach your financial goals.

Today's reverse mortgages are a helpful retirement funding tool we can add to your plan to help you live more comfortably.

Clients have misconceptions.

Here are the facts.

Despite ongoing improvements and safeguards, reverse mortgages are still misunderstood and misinformation persists. Sadly, what clients think they know about reverse mortgages may keep them from enjoying the benefits. Here's how to debunk common myths and open their eyes to this useful financial option.

MYTH #1:
The bank will take my home.

FACT: Your client will continue to own the home with their name on the title, as with any mortgage or home equity loan. All they have do is meet their loan obligations and keep up with taxes, homeowners insurance, and property maintenance.

MYTH #2:
I already have a mortgage, so I probably won't qualify.

FACT: With a reverse mortgage, proceeds are first used to pay off any existing mortgage, and eliminate that monthly expense. With a HECM, monthly mortgage payments are not required.[2]

MYTH #3:
I won't be able to leave my home to my heirs.

FACT: Heirs can inherit the house, just as with any other mortgage. When the loan comes due, they decide how to repay the loan balance:

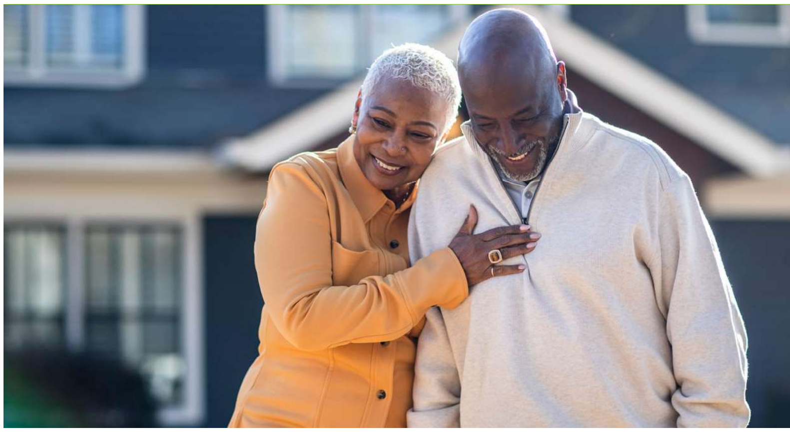
- Arrange their own financing, pay off the loan, and keep the house
- Sell the house, pay off the balance, and keep any extra funds
- Or do nothing with the house, and deed it to the lender

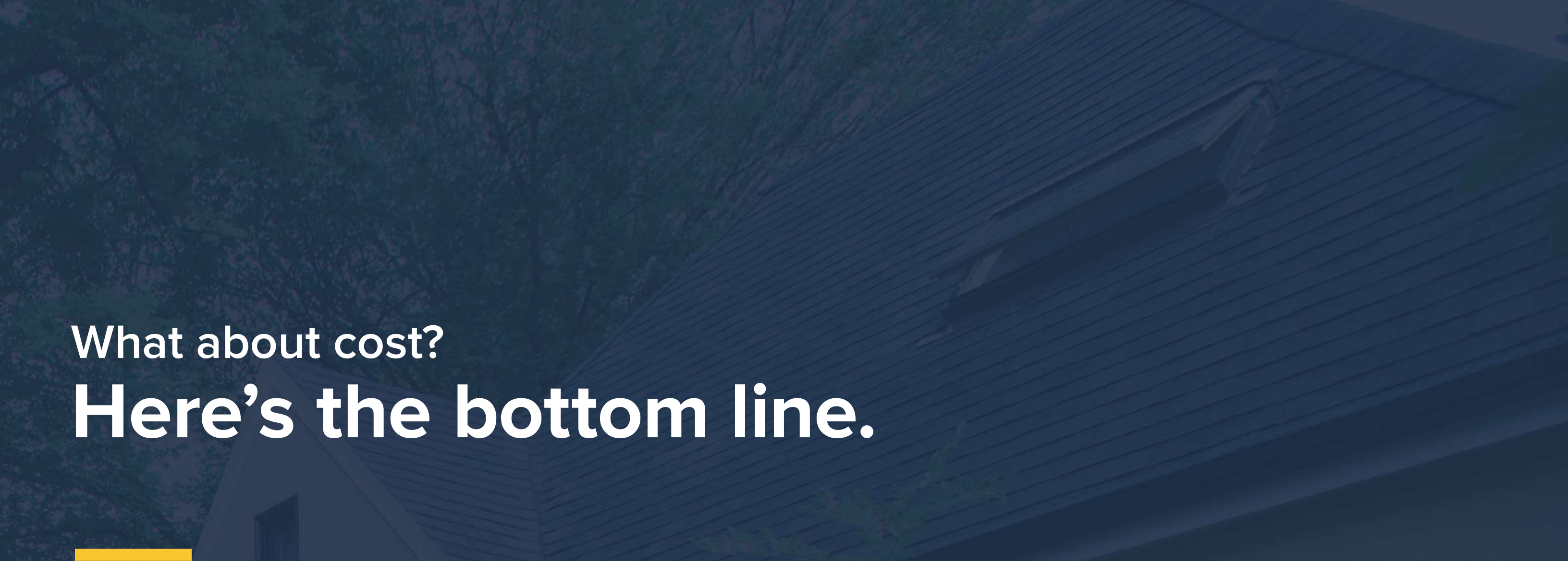
MYTH #4:
Reverse mortgages are designed to take advantages of retirees.

FACT: It's the opposite: the program was created to help retirees. Tapping home equity to generate income can help seniors age in place, with more financial flexibility and peace of mind. Plus, stringent state and federal regulations are in place to protect borrowers.

MYTH #5:
A reverse mortgage should only be used as a last resort.

FACT: Also the opposite. It can be used for strategic planning, e.g., as a "safety net" for future needs. Recent product enhancements have made reverse mortgages safer and more flexible than ever, and more advisors are recommending them as part of a total retirement plan.





What about cost?

Here’s the bottom line.

Clients who are in or near retirement will want a cost analysis to help them understand the fees associated with a reverse mortgage and the financial impact of tapping into their home equity.

Fees vary depending on the particular borrower and product, but most can be financed through the loan to limit upfront costs. One exception is the required counseling fee (see table on the right).

Key considerations include:

- Individual rates and fees depend on factors like current interest rates, the borrower’s age, and the home’s value
- HECMs require a Mortgage Insurance Premium (MIP) of 2% of the appraised home value – this is paid to HUD[3] and accounts for most of the upfront charges
- The MIP ensures that funds will be available – and that the borrower or their heirs can never owe more than the home is worth when the loan is repaid (non-recourse protection)

Sample Cost Analysis

Based on a HECM loan on an $800K home.

Charge	Pay To	Financed Amt. ($)
Loan Origination Fee		4,650.00
MERS	MERS	11.95
Document Preparation	Baydocs	125.00
Appraisal Fee		700.00
Credit Report		40.50
Flood Certificate		15.50
Mortgage Insurance Premium	HUD	16,000.00
Settlement Fee		700.00
Abstract or Title Search		75.00
Lender’s Title Insurance		1,916.00
Notary Fees		200.00
Mortgage Recording Fee		150.00
Notice of Settlement		150.00
Counseling Fee		125.00
Total		**$24,858.95**

FOR ILLUSTRATIVE PURPOSES. Not available in all states. Certain conditions and fees apply. Information shown for illustrative purposes only. Assumptions are: (1) 62-year-old borrower; (2) IL home valued at $800,000; (3) LOC will grow at 0.5% above the interest rate for an Adjustable Rate Mortgage (ARM), which uses the 1-YEAR CMT plus a margin of 2.25%. The initial interest rate is 3.92% which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 8.92%; (4) the growth rate remains at 4.42%; (5) Annual Percentage Rate (APR) is 3.92%. Maximum Annual Percentage Rate (APR) is 8.92% (6) there are no draws taken from the line of credit by the borrower. Rates and funds available may change daily without notice.

Educating clients

to help them make informed decisions.

Is a home equity solution right for your client? That depends on their unique financial situation and retirement goals. But given that this often under-utilized strategy could help provide greater financial security and peace of mind, it's worth considering.

Many clients simply don't know that a reverse mortgage can:

- Generate income-tax-free[4] cashflow to help with retirement funding
- Help mitigate sequence risk while creating a larger legacy
- Help boost portfolio longevity and asset growth, when used as a buffer asset

That's why an honest dialogue and education about its benefits is so important.

What's the next step?

If a client shows interest, we can provide a customized loan quote that takes their needs and circumstances into account. We'll only recommend a reverse mortgage if it's right for your client. If not, we'll tell you so. Not all lenders make that promise.

Contact me today to learn more.

AMK HOME LOANS

Dave Kaufman

Owner & Loan Consultant

NMLS# 908155

Call: 541-941-4888

Email: dave@amkhomeloans.com

Visit: www.myreversesolutions.com

1. Incorporating Home Equity into a Retirement Income Strategy, by Wade D. Pfau, Ph.D., CFA. Journal of Financial Planning, 2016, vol. 29, no. 4, pp. 41–49.
2. Real estate taxes, homeowners insurance, and property maintenance required.
3. This material has not been reviewed, or issued by HUD, FHA or any government agency. The company is not affiliated with or acting on behalf of or at the direction of HUD/ FHA or any other government agency.
4. Consult appropriate government agencies for any effect on taxes and government benefits.