

# THE NEW REVERSE MORTGAGE E-GUIDE



# Can the New Reverse Mortgage Help You Live Better?

Whether you have a mortgage or your home is paid off, the new reverse mortgage can help you utilize the equity in your home to live better.

Since 2017, significant changes have been made to reverse mortgages, specifically to the Home Equity Conversion Mortgage (HECM) program, which is insured by the Federal Housing Administration (FHA). These changes were implemented to ensure the reverse program's financial stability and to protect borrowers and taxpayers from potential market fluctuations and the risk of default.

Knowing whom to trust can be one of the most challenging aspects of considering a reverse. We created this e-guide to help educate you and your adult children on the fundamentals and find out together if one of the reverse products would be a good fit for your unique situation.

*A wide majority (83%) of seniors who received a reverse mortgage said they were “satisfied” or “very satisfied” with their decision, according to a 2017 survey conducted by researchers from Ohio State University and funded by the MacArthur Foundation and the Department of Housing and Urban Development (HUD).*

**We have helped thousands of seniors utilize the new reverse mortgage to enjoy their retirement and live better.**

**Schedule a free  
consultation**



# What Is The New Reverse Mortgage?

## New Regulations that Protect Equity

- Lender origination was capped at \$6,000
- Annual mortgage insurance was lowered by 60%
- Interest rates were significantly lowered
- The amount seniors can borrow was reduced



***Note: This is why 90% of borrowers have positive equity to pass to their heirs...and most of them have more equity than when they initially took out the reverse mortgage.***

Its official name is a Home Equity Conversion Mortgage (HECM), a loan insured by the Federal Housing Administration (FHA) for homeowners age 62+.

A reverse mortgage allows you to:

- Access a portion of your home equity
- Use the income tax-free cash proceeds as you wish
- Eliminate monthly mortgage payments

You retain ownership of your home — all you have to do is continue to pay property taxes, homeowners insurance, and continue to maintain your home as you do now.

# Live Better With A New Reverse Mortgage

Here are 9 life-changing ways that a reverse mortgage can provide you with the financial peace of mind you deserve:



# Types of Reverse

Like traditional mortgages, reverse mortgages fall into two main categories:

- **Line of Credit:** With this reverse loan, the interest rate is variable, and the borrower can access funds in multiple ways
- **Fixed Rate:** As the name suggests, the interest rate is fixed, and the borrower typically receives a one-time lump sum payout

With either type of loan, the amount that a borrower can qualify for is based on just three factors:



Equity



Age



Interest Rates

It's really that simple. Once that qualifying amount is determined, a reverse mortgage specialist educates the borrower on whether a Line of Credit or Fixed Rate option is best to fit their needs. For both reverse mortgage loan types, the amount a borrower can qualify for a loan amount of up to \$4M!

# Types of Reverse: HECM Line of Credit

## 1. HECM Line of Credit: Flexible & Growth Potential

This line of credit option has a variable interest rate and the borrower can access funds in multiple ways. It is the most flexible product of the two HECM loans and any unused portion of the line of credit will continue to grow over time, giving the borrower access to more credit.

If there is no existing mortgage on the property, the borrower may draw on a portion of their equity or choose to keep all funds in the line of credit and access funds in the future as needed.



# Types of Reverse: HECM Line of Credit

**Here are the top reasons why most seniors choose the HECM Line of Credit option:**

- The borrower can typically qualify for a much larger amount with a Line of Credit vs a Fixed Reverse
- If the borrower doesn't need to immediately use all the funds available on the Line of Credit, they have two flexible options:
  - They can access the available credit as needed
  - Or convert the available credit into a guaranteed, tax-free income stream for life
- Also, the unused amount on the Line of Credit will grow each year. This will provide the borrower with access to more available credit each year.

Lines of credit are usually the best option for homeowners with lower current mortgage balances or those who own their home free & clear.



*Social security wasn't enough to cover my living expenses. With a reverse mortgage, I now have the money I need to live and update my home.*

*- Judi B.*

# Types of Reverse: HECM Fixed Rate

## 2. HECM Fixed Rate Mortgage: "Sure Thing"

As the name suggests, the interest rate is fixed, and the borrower receives a one-time lump sum payout. Fixed-rate reverse mortgages are a good option if the amount a borrower can qualify for is roughly the same as your current mortgage balance and the borrower believes interest rates will rise in the future. This product does not offer a line of credit component.

**The most common features of a fixed-rate reverse are the following:**

- Interest rate is fixed for life, so it's easy to calculate what the loan balance will be in the future
- If the amount of the fixed-rate reverse mortgage is higher than the current loan balance, the remaining funds would be paid as a lump sum (tax-free).



# Types of Reverse: Proprietary Jumbo

Within this product portfolio are three products, two of which are specific to Jumbo loans (fixed-rate and line of credit) and a 2nd Reverse mortgage product.

The Jumbo Reverse mortgage is designed for homeowners with high-value properties over \$1,149,825. Unlike a HECM mortgage, borrowers 55+ can convert part of their home equity into cash without selling their home or making monthly mortgage payments.

## Key Features of a Proprietary Reverse Loan:

- **Higher Loan Limits:** Unlike HECMs with a maximum lending limit of \$1,149,825, proprietary reverse mortgages can offer loans on properties of up to any value (with a maximum loan amount of \$4M).
- **Home Value Considerations:** Like a HECM, the amount a borrower can receive from a jumbo reverse mortgage is based on the home's appraised value, the borrower's age, and current interest rates.
- **Variable Line of Credit or Fixed Rate Loans:** Proprietary reverse mortgages come with either fixed or adjustable interest rates, depending on the lender's offerings and the borrower's preference.
- **Costs and Fees:** Proprietary reverse mortgages typically have lower closing costs vs. HECM mortgage, but usually come with a higher interest rate.



# Type of Reverse: 2nd Reverse Mortgage

The 2nd Reverse Mortgage is a unique product within the proprietary portfolio. It allows seniors to keep their 1st mortgage and tap into a little more of their equity to supplement their retirement needs.

## Reasons for Consideration:

- The existing first mortgage interest rate is at historically low levels, and the borrower can comfortably make the payment.
- The borrower would like to access additional funds without an additional mortgage payment.
- Home has appreciated significantly, with access to more equity.
- The interest rate is fixed to avoid interest rate fluctuations.



# Who Can Qualify?

The qualifications for a reverse mortgage are simple:

- For a HECM, either you or your spouse must be 62+ years or older and 55+ for proprietary/jumbo reverse products
- You must live in the property
- You must meet the minimum equity, credit, and income requirements as determined by the lender



*A reverse mortgage eliminated our mortgage payment and I was finally able to retire.*

*- Marlene M.*

# Common Myths

Myth: The lender takes ownership of the home.

Fact: The borrower retains ownership of the home and is responsible for paying property taxes, insurance, and maintenance fees.

Myth: The borrower can owe more than the value of the home.

Fact: The reverse mortgage amount cannot exceed the home's appraised value, and the borrower or their heirs will never owe more than the home is worth.

Myth: The borrower must have no mortgage or own the home outright.

Fact: Borrowers can still qualify for a reverse mortgage even if they have an existing mortgage on their home, as long as they have sufficient equity.

Myth: The borrower can be forced to leave their home.

Fact: As long as the borrower meets the loan obligations, including paying property taxes and insurance, they can remain in their home for as long as they wish.

Myth: Reverse mortgages are only for low-income seniors.

Fact: Reverse mortgages are available to all eligible seniors, regardless of income level.

Myth: The borrower must repay the loan while still living in the home.

Fact: Repayment of the loan is not required until the borrower no longer lives in the home.

# Common Myths

Myth: Reverse mortgages are a scam.

Fact: Reverse mortgages are a legitimate financial product, regulated by the government and offered by reputable lenders. However, as with any financial product, it is important to do your research and choose a lender with a good reputation.

Myth: The borrower will lose all their equity.

Fact: The borrower can only access a portion of their home equity through a reverse mortgage, leaving the remaining equity to be passed on to their heirs.

Myth: The borrower cannot leave the home to their heirs.

Fact: Heirs can inherit and keep the home by either paying off the reverse mortgage or obtaining a new one to cover the outstanding balance.

Myth: The borrower can receive the full value of their home through a reverse mortgage.

Fact: The amount of cash available through a reverse mortgage is determined by several factors, including the borrower's age, the value of the home, and the interest rates at the time of the loan.

Myth: The borrower will be taxed on the proceeds from a reverse mortgage.

Fact: The proceeds from a reverse mortgage are not considered taxable income, as they are a loan and not a source of income.

# The New Reverse & Your Kids

If it wasn't already difficult enough to make ends meet, inflation made it even harder. That is why it's not surprising that nearly 1/3 of adult children provide some level of financial support for their aging parents. Plus, many adult children and their parents are worried about how to fund significant medical costs in the future, such as at-home care or a nursing facility.

An AARP-sponsored poll found that over 80% of seniors aren't confident they can afford at-home care.

All of this financial anxiety can take a toll on the entire family and burden many adult children. Not to mention, most children we consult with are concerned about how their inheritance will be affected. A reverse mortgage can be the perfect vehicle to bring financial peace of mind both now and into the future.



32%

Live Better  
FINANCIAL

Of midlife adults provide ongoing monthly financial support to their retired parents.



A reverse mortgage can help you afford your retirement and remove the burden on your adult children. ✓

# Reverse & Your Heirs Inheritance

There are many misconceptions about reverse mortgages and their effect on their children's inheritance. Here are just a few ways that a reverse can actually protect what you leave to your heirs.

- If the house appreciates just 4% annually, equity will actually increase in most cases
- If not using equity to pay for living expenses, then another asset will be depleted
- If negative equity, only 95% of home's value needs to be repaid
- Accrued interest may be tax-deductible for heirs when paid off (Consult with CPA)





# HELOC vs. HECM

A Home Equity Line (or HELOC) has been a popular way for homeowners to raise money and have access to credit for future expenses. However, HELOCs have significant risks and drawbacks that can seriously jeopardize your financial security in the future.

The good news is that a reverse mortgage (HECM) eliminates many of these risks and can provide you with financial peace of mind.

**Here is a side-by-side comparison between both types of loans:**

	VS	
<ul style="list-style-type: none"><li>Difficult to qualify for</li><li>Mortgage payment</li><li>Available credit is fixed</li><li>Required repayment schedule after 10 years</li><li>High cap in interest rate (20%+)</li><li>Can be frozen if missed payment or home value declines</li></ul>		<ul style="list-style-type: none"><li>Easy qualification</li><li>No mortgage payment</li><li>Available to credit grows ( 8%/yr)</li><li>Repayment only when last spouse leaves home or passes away</li><li>Rate capped at start rate + 5%</li><li>Guaranteed LOC growth, can't be frozen</li></ul>

# The Process

From start to finish, it typically takes 45–60 days to finalize a reverse mortgage.



## Step 1. Meet with a Reverse Mortgage Consultant & Begin Application Process

Your consultant will explain the details of a reverse mortgage. They will look at your individual situation and determine which approach works best for you. This is also a good time to have any individuals who would be involved in the decision to get the reverse mortgage to be present.

## Step 2. Independent Counseling

Your consultant will give you a list of HUD-approved counselors. You will set up an appointment with one of them. The counseling agency will review the documents they sent to be completed. Once that is done, they will explain the details of a reverse mortgage again. They will issue you a counseling certificate that authorizes you to start the process of obtaining a reverse mortgage. By law, the lender cannot incur any costs on your behalf until they have confirmation that you have completed the counseling. Once the lender receives the original counseling certificate, they can begin processing your reverse mortgage.

# The Process

## Step 3. Complete Application & Disclosures

The reverse mortgage consultant will get together with you to sign the application to start the process. Signing the application documents DOES NOT commit you to complete the loan process and close on the reverse mortgage. It simply provides permission to get the process started.

## Step 4. Obtain A Home Appraisal

You will be contacted by an FHA-licensed appraiser to set an appointment to come to your home. The appraiser will determine the market value of your home. They will also perform a general inspection to determine if there are repairs that might need to be done to bring the house up to the minimum FHA standards.

## Step 5. Loan Submission & Approval

Once your appraisal report is in hand, your loan application will be submitted to the lender. An underwriter will either approve your loan, and commonly, the underwriter may request additional information before issuing an approval. The process from this point to closing is similar to a traditional mortgage and should close in about 25-30 days.



*Our reverse mortgage has changed my life!  
I am finally able to enjoy our retirement.*

*- Doety S.*

# The Process

## Step 6. Funding & Cash Disbursement

When the lender has fully approved the loan, it's time to schedule the final paperwork signing. The signing can be done at the escrow company or in the comfort of your own home – and takes about an hour.

Once signed, the executed package is returned to the lender for funding review, and you are now in the home stretch. Note that there is a mandatory 3-business-day waiting period between the date of signing and the date of funding. Typically, funds are wired directly into your bank account, but you can choose to receive the funds via check if you prefer. Congratulations, you have completed the process, and you are on your way to living better!



# Testimonials



*I couldn't financially survive if I had a house payment, especially since everything is so expensive now. This loan allowed me to stay in my home and volunteer at my church, which has been a blessing. Plus, I have \$30K for emergencies if I need it. I'm so glad Scott helped me get this loan.*

*Deety (84+)*



*For the last 20 years, I wanted to start a museum to showcase the amazing history of hot air balloons, since I was the first person to fly a hot air balloon in the movies about 65 years ago. The cost of the museum was \$1M, so I stumbled up Scott at Live Better Financial, and he was able to give me \$1M to realize my dream.*

*Dorrell S. (91)*



*My wife and I have lived in a beautiful home in Laguna Beach for over 40 years. However, after multiple refinances over the years, we built up to a \$1M mortgage. Scott and his amazing team were able give me a \$1.5M reverse mortgage, so our \$7K/mo payment has disappeared, and we have \$500K to do whatever we want...we can finally enjoy our retirement!*

*Ronald M. (86)*



*At my age, living became difficult in many ways, but besides the aches and pains, the hardest part was figuring out a way to have money for the rest of my life. My financial planner recommended that I talk to Scott about a reverse mortgage, and he saved me \$600 per month on my mortgage payment and I have a financial cushion for the first time in my life.*

*Oletta T. (88)*



*When I researched reverse mortgages about 5 years ago, it was overwhelming because all of the different quotes and people calling me all the time. I'm so happy that I found Scott – he educated me on the programs and made me feel comfortable about my decision to move forward with a reverse mortgage. I would highly recommend him.*

*Larry K. (79)*



*After working with my financial planner for years, we decided that a reverse mortgage was the best way to eliminate my mortgage payment, and secure extra money to pay for emergencies...which seem to happen a lot at my age! Scott worked closely with my financial planner to get the best reverse mortgage for my situation – and I'm happy to finally have some peace of mind. Plus, I can now spoil my grandkids even more!*

*Incarnation F. (90)*

# Ready to Connect?

To learn more about how Live Better Financial can help you live better in retirement, visit our website at [www.livebetterfinancial.com](http://www.livebetterfinancial.com).

To schedule a free, zero-pressure consultation with a member of the Live Better team. Click the link below.

[Schedule a free consultation](#)



**(888) 225-3336**



**[questions@livebetterfinancial.com](mailto:questions@livebetterfinancial.com)**



**Live Better**  
FINANCIAL

*Live Better  
With a  
Reverse  
Mortgage!*