



# Reverse Mortgage Guide



**Reverse Mortgage Answers, LLC**  
*Find out why 25 years of experience makes a difference*  
**(800) 420-5515**  
**[www.RMAAnswers.com](http://www.RMAAnswers.com)**



## What is a Reverse Mortgage and How does it Work?

**A Reverse Mortgage is** a program that allows homeowners age 62 and older to use a portion of their home value without creating a monthly payment. Best of all, you maintain ownership and the money received from the Reverse Mortgage is *tax-free*.

By letting your home pay you back, the value you convert to cash opens new opportunities. In addition, you will NEVER be forced to leave the security of your home, or make a payment as long as you live in your home.

**Simply Put:** A Reverse Mortgage is the only safe way to access a portion of the value in your home *without* ever having to make a monthly payment and retaining ownership.

**How A Reverse Mortgages Works:** The FHA–Insured Reverse Mortgage is also known as a HECM (Home Equity Conversion Mortgage). This program allows homeowners to borrow a portion of their home’s value without creating a monthly payment.

The amount available to a homeowner using a Reverse Mortgage is based on: the age of the youngest homeowner, the appraised value of the property, and the current interest rates.

**Easy Qualification:** In order to qualify for a Reverse Mortgage, *you must:*

- Be at least 62 years old,
- Occupy the property as your primary residence,
- Pay off any existing mortgages at the time of settlement, and
- Attend a HUD-approved housing counseling session, in person or via the phone.

**The proceeds** from a Reverse Mortgage can be taken in several ways including:

- Line of Credit: You make withdrawals whenever you choose up to the amount available.
- Lump Sum: You receive available proceeds at the time of settlement.
- Tenure Plan: You receive fixed monthly payments as long as you own and occupy the home as your primary residence.
- Combination: You can blend all of these options; for example, draw a lump sum while taking a monthly check and leave some money in a line of credit.

**Reverse Mortgages** are designed to eliminate the burden of making monthly mortgage payments. The loan will not be due until the homeowner(s) no longer occupy the home as their primary residence. Lenders recover their principal, plus interest, when the home is sold or refinanced by either the homeowner or their heirs. The remaining value of the home, after the loan is repaid, goes to the homeowner or to his or her survivors.

**For Example:** Let's assume someone takes out a Reverse Mortgage and owes \$50,000 after 5 years. Then, the homeowner passes away and the estate sells the house for \$250,000. The lender gets \$50,000 and the estate inherits \$200,000.

**The FHA**–Insured Reverse Mortgage insures that if the house is sold and the sale amount is insufficient to pay the amount owed to the lender, the insurance will pay the difference. This policy makes the Reverse Mortgage a "non-recourse" loan, unlike conventional mortgages. "Non-recourse" means the only asset guaranteeing the loan is the property itself. If the property value is less than the balance of the Reverse Mortgage, the lender cannot request other assets from the homeowner or their estate and must make an insurance claim for the loss to the FHA.

Since becoming federally insured in 1988, the Reverse Mortgage program has evolved over the years into a more mainstream mortgage program. It offers seniors a wide range of program options, thus making the Reverse Mortgage a safe and secure financial tool. Our firm has been able to assist thousands of clients over the years in properly structuring the program to meet their unique goals.

## Secure Homeownership

- Borrowers retain ownership of their home.
- Lender will neither take the home nor take the title to the home.
- Borrowers can live in the home for as long as they want. The Reverse Mortgage will not be repaid until the borrower's decides to leave, sells the home, or fails to live in the house for 12 consecutive months.
- Borrowers are responsible for paying property taxes, homeowners insurance, and general maintenance of the home.

## Protection for your Heirs

- A Reverse Mortgage is a non-recourse loan, meaning only the property can be used to repay the loan.
- Simply put, a lender cannot seek other assets to satisfy the Reverse Mortgage balance. If the fair market value of the property is less than the Reverse Mortgage balance, the lender must accept the sales proceeds as sufficient payment and cannot seek to recover additional payment from the borrower's income, other assets, or from their heirs. Of course, if the fair market value of the home exceeds the Reverse Mortgage balance, then the excess value belongs to the borrower(s) or their heirs.

## Government Benefits

- Funds from a Reverse Mortgage do not affect the borrower's Social Security or Medicare.
- However, needs-based benefits, such as Medicaid and Supplemental Security Income (SSI) may be affected.
- For specific questions, we recommend you consult a benefit specialist.

## Competitive Interest Rates

- Reverse Mortgage Answers offers both variable rate and fixed rate Reverse Mortgages.
- Variable rate Reverse Mortgages are tied to the LIBOR Index (London Interbank Offered Rate). This interest rate can adjust on a monthly or annual basis.
- The fixed rate Reverse Mortgage means interest rate will stay the same during the life of the loan.



## Answers to Your Questions

### **What is a Reverse Mortgage?**

A Reverse Mortgage is special type of home loan that allows homeowners, age 62 or older, to convert home value into tax free cash thus improving cash flow. No repayment is required until the borrower no longer lives in the home.

### **How do I qualify?**

You must be a homeowner aged 62 or older. Generally, the older you are, the more money is available to you.

### **Can I get a Reverse Mortgage if I already have a mortgage?**

Yes, we have a number of clients that use the Reverse Mortgage to pay off their current mortgage.

### **Do I make monthly payments like a traditional mortgage?**

No, Reverse Mortgages are designed to eliminate the burden of making monthly mortgage payments.

### **Does the lender take my home?**

No. The title to the property always remains in the names of the homeowners.

### **When is the loan due?**

The loan must be repaid when the last surviving borrower sells the home or no longer lives in the home as their primary residence for 12 consecutive months.

### **What needs to be repaid when the loan is due?**

The loan balance needs to be repaid, which includes interest and principal, when the loans becomes due. Typically, the loan is repaid through the sale of your home, or by refinancing the home.





## Scenarios



### **Unexpected Financial Changes**

Frank & Wanda have lived in their home for 20 years and had planned to retire there. Then Frank had to take an early retirement because of his health. Their income unexpectedly decreased, making it tough to pay their mortgage. After exploring their options, they called Reverse Mortgage Answers and were surprised to find out they were eligible to receive \$182,000. They paid off the mortgage and a \$10,000 credit card debt, leaving them a \$44,000 line of credit for future needs. Frank and Wanda can now enjoy their retirement without credit card debt or monthly mortgage payments. \*

### **A loss in Household Income**

Marion recently lost her husband Tom. Tom had always handled the finances. Quickly, Marion realized that with the loss of Tom's income, she would not be able to keep up with all of her current bills. A friend at Marion's church recommended that she look into a Reverse Mortgage. After contacting Reverse Mortgage Answers, Marion was relieved to find out that she qualified to pay off her existing mortgage of \$72,000.00, \$5,000.00 of credit card debt and have another \$43,725.00 in a line of credit for future needs. \*

### **Making the Right Financial Choices**

Bill & Nancy have a comfortable life. They have built a good retirement income during their working years. Between their IRAs and 401Ks, the couple saved over \$850,000. Now, they were ready to retire and planned to supplement their Social Security and pension income of \$80,000, with a \$3000/ month withdrawal from their savings. Since all their funds were in tax deferred accounts, they had to pay income taxes on any withdrawals from their savings, plus the pension income. Their total taxable income would be \$116,000 in a 25% marginal tax bracket; this means their taxes would be \$20,860 annually. After discussing this with their tax adviser, they learned drawing from a Reverse Mortgage on a tax-free basis instead of drawing down their taxable investments would save them \$9000 a year in taxes. They decided the Reverse Mortgage made sense for their financial plan.\*

### **Using a Reverse Mortgage to Purchase a Home**

David & Sandra have lived and worked in our nation's capital all of their adult lives and are now ready to retire to some place with a little less traffic. They found a waterfront home in Ocean City however, it is a little more expensive than their budget would allow. Using a Reverse Mortgage to purchase the home enabled them to buy the home they wanted, and still have no monthly mortgage payment.

\*Please consult your tax advisor/accountant as situations may differ. These scenarios are for informational purposes only and are not based on actual numbers or events. An interest rate of 4.99% (7.14% APR) was used to generate the example in these illustrations.



## What Our Clients Are Saying

Thank you. Your firm earned our business! After getting 3 quotes, yours was not only the lowest in fees, saving us thousands of dollars... your rate was also better than any of the others. We will be recommending you to all of our friends. ~ Tom & Charlene

A Reverse Mortgage gave us *peace of mind* in knowing that if one of us dies, the other can continue living in our home. It was the best financial decision we ever made. ~Mark & Kathy

Finally, no more mortgage payments! ~Margaret

My Social Security only covered half of my living expenses. I was awake at night for 3 months worrying about bills. Then, a friend told me about Reverse Mortgages. I just wished I'd called you sooner. ~Marion

With a pending property tax sale and overdue bills, I wasn't sure how I was going to make it. A Reverse Mortgage not only enabled me to pay my property tax bill, it also gave me the money to repair my home and live comfortably without the worry of monthly mortgage payments. ~Charlotte

After retiring and drawing on our portfolio for several years, we took a huge loss when the market crashed. I thought we would have to go back to work. That's easier said than done in this job market. I was advised to look into the Reverse Mortgage program. We did, and not only did we stay retired, but since we were not drawing against our portfolio, it was able to recover! Cheers, ~Walter & Carol

With the price of everything going up and my income staying the same, I worried about money all of the time. I was scared that I might not be able to keep my house, but a Reverse Mortgage put me at ease. ~Joan

I am writing you today to thank you for your personal service with the Reverse Mortgage. Carolyn and I have been considering this for years, but every time we called one of those nationally celebrity endorsed advertisements we were just more confused. At one point, they even sent me a stack of papers to sign without any guidance! We are so grateful that you came out and went over everything with us in person. It seems that in this day and age, everyone wants things to be automated. We asked ourselves whatever happened to customer service and the answer we found was your firm! Thank you again for your time, understanding and please thank your staff for us as well. Everyone at your office were great to deal with.

~Tom & Carolyn A

# Five Simple Steps to Your Financial Security

## ➤ *1<sup>st</sup> Step*

**PLANNING** You will need to speak with your Reverse Mortgage specialist to discuss if a Reverse Mortgage fits your financial needs and goals. Anyone else you would like to be present is welcome to join this conversation. We can be reached at (800) 420-5515.

## ➤ *2<sup>nd</sup> Step*

**COUNSELING** You are required to speak with an independent counselor approved by the U.S. Department of Housing and Urban Development (HUD). We will provide you with a list of both local and national agencies. This counseling session can be done in person or over the phone.

## ➤ *3<sup>rd</sup> Step*

**APPLYING** When you have made a decision to apply, simply call to set an appointment. We are local and can meet face to face in your home or in our office. Along with the application, we will need the following documents:

- **Social Security Card**
- **Picture ID**
- **Copy of Mortgage Statement (if applicable)**
- **Copy of Homeowners Insurance Declaration Page**
- **Documentation of Income**

## ➤ *4<sup>th</sup> Step*

**APPRAISING** As with all mortgages, your home needs to be inspected and appraised by an FHA-approved appraiser. After we receive your application and counseling certificate, we will have an appraiser contact you to set an appointment to visit your home.

## ➤ *5<sup>th</sup> Step*

**CLOSING** Once you are ready to close, we will set up your closing to take place in your home, our office or a local title company's office.



## About Us

### Empowering Senior's with Smart Financial Choices



Hi, I'm Mark McVeary,

Reverse Mortgage Answers has been working with the senior community and specializing in the Reverse Mortgage program for over 20 years. Our simple approach has always been to educate our consumer while customizing the many program options to meet your financial goals. Because we are your neighbor, we take pride in providing face to face customer service. You have my personal guarantee that when you contact our office, you will always speak with a qualified representative. In many cases, I will meet with you personally.

Mark McVeary, President  
Reverse Mortgage Answers, LLC

*Proud Member of*



*Find us on*



*Visit us online*  
[www.RMAnswers.com](http://www.RMAnswers.com)



**Reverse Mortgage Answers, LLC Corporate Office- 614 Old Edmondson Ave. Baltimore, MD 21228  
Ph.410-788-7070, toll free 1-800-420-5515, fax 410-788-6040, Eastern Shore direct 443-664-5469**

Reverse Mortgage Answers, LLC conducts business in the following states (NMLS # 179014)  
Maryland – Lender # 06-20057, District of Columbia – Mortgage Broker # MLB179014, and  
Virginia – Licensed by the VA State Corp. Commission, Mortgage Broker # MC5642,  
[www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org)



