

Reverse Mortgages

American homeowners 62 and over are able to convert the equity in their homes into a usable financial solution, a reverse mortgage. There are several loan products available:



- The FHA HECM*
- Fannie Mae HomeKeeper*
- The Financial Freedom™ Cash Account
- A "jumbo" lump-sum reverse mortgage with some options offering no upfront or closing fees (unique to Financial Freedom™ with the interest rate tied to the LIBOR** rate plus 5 percentage points.).

*The conforming limit is adjusted yearly and differs by geographic region. **LIBOR is the six-month London interbank offered rate

These loans require no income qualification and eligibility is based on age, primary residence and existing mortgage balance. These loans, unlike conventional home loans have no monthly mortgage payments for as long as the borrower lives in the home.

Another feature of these loans is that no matter how high your loan balance grows you never owe more than the home's market value when the loan is repaid.

The greatest benefit of a reverse mortgage loan is that it allows seniors to stay in their home and have access to their home's equity for medical, insurance, home repair or monthly income needs, etc.

There are no restrictions on the use of the funds.

Senior homeowners have several options for the equity payout of their reverse mortgage:

- A lump sum
- A line of credit
- Monthly payments
- A combination of these options.

Seniors should review all the options and costs associated with each product and each payment option to determine which best fits their, and their family's needs.

- HECMs are the most popular of the three reverse mortgage products currently available and account for some 95 percent of all reverse mortgages. They are available in every state.
- The FHA HECM and Fannie Mae HomeKeeper have loan limits determined by Fannie Mae guidelines

- Financial Freedom's™ Cash Account™ loan products are available for homes with a home value of \$500,000 and above.

All products mandate counseling. The FHA HECM and Fannie Mae HomeKeeper **require** independent counseling prior to application completion. Counselors are approved by the Department of Housing and Urban Development (HUD) and provide "free" counsel regarding the various programs and their options. Upon completion of this counseling requirement the borrower may proceed with the reverse mortgage if they so wish.

There is no fee to talk with a counselor and no referral fee involved.

Considering a reverse mortgage?

- Contact a reverse mortgage lender.
- Meet with an independent counselor.
- Decide which of the programs might be best for you.
- If you decide to proceed there is an application fee of apx. \$350 for an appraisal and pest report.

This fee can be refunded at loan closing if the borrower desires.

Many Seniors use a Reverse Mortgage Line of Credit to finance Long-Term Care Insurance

premiums resulting in a lower over all mortgage loan and “leveraged” money available for Long-Term Care costs.



Features of most
Reverse
Mortgages:

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- There are no income qualifications.
- The loan is due for repayment when the last borrower permanently moves out, dies or sells the property.
- Loan proceeds are not taxable* and do not effect Medicare or Social Security payments.
- Interest on a reverse mortgage is tax-deductible at the time of full loan repayment which is anticipated to be upon the home sale.
- Seniors can reside in a nursing home for up to a year before the reverse mortgage/loan is due.

- Record popularity of reverse mortgages among older homeowners are reflected by the fiscal year (FY 2004) that ended September 2004 in which there were 27,000 HECMs made nationwide, an increase of 49% from the previous fiscal year.
 - *Please consult your tax advisor.

DISCLAIMER

Pac Con LTD and Gary A. Powell do not represent nor sell Reverse Mortgages. This information is provided for educational purposes only. Please consult your tax advisor and estate attorney before entering into any contracts.

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