

# **Reverse Mortgages at Somerset Mortgage Corporation**

The specialists at SMC are passionate about seniors and your right to enjoy retirement in your own home. We believe you should use the equity in your homes to enrich your lives, augmenting your retirement income, eliminating mortgage payments, obtaining additional cash for repairs, medical needs, travel or for any need or desire you may have, now or in the future. You've spent a lifetime building equity in your home and now it's time to put this equity to work for you to make your life better now. Until the Reverse Mortgage was created, the two primary ways to access the equity in your home was to sell it, or borrow against it with a payment. Now there is another, maybe better, choice to consider.

## **Highlights of the Reverse Mortgage**

- ◆ You never have to move.
- ◆ There are no mortgage payments. You still pay for taxes, insurance and upkeep, but you will never have to pay a principal or interest payment on your Reverse mortgage loan.
- ◆ You can receive a lump sum, a line of credit or monthly payments or a combination. Interest accrues on your Reverse Mortgage loan balance and the lender is paid only after your home is sold or you refinance. You will never owe more than the value of your home, even if you live to be 120 years old or older.
- ◆ There is no direct qualifying based on income or credit, although credit is a factor. The amount of benefit you receive is based upon your age, the amount of equity in your home and the loan program.

# Frequently Asked Questions

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

A Reverse Mortgage is a national program which typically is offered to homeowners 62 years and older which allows the homeowner access to their equity in the form of cash, monthly income to the homeowner, or a combination of both with the homeowner never making another loan payment for life. The money the homeowner receives is usually tax-free and does not affect Social Security benefits or Medicare (check with your financial advisor for your circumstances). There are very minimal credit requirements and no income requirements to qualify, borrowers can even be in foreclosure and still obtain a reverse mortgage.

## **Does the lender take title to my property?**

No, you retain the same ownership and title that you have today. The lender puts a lien on the property just as they would with a regular forward mortgage which is paid off when you sell your property, or when you pass and your heirs inherit and they can pay off the loan with another loan or other funds.

## **When does the Reverse Mortgage need to be paid off?**

When you sell the property or no longer occupy your home as your primary residence for a period of 12 months or longer.

## **What does the lender expect from me?**

You must maintain the property in reasonably good condition. You must pay the property taxes and the homeowners insurance and any homeowner's association dues you may have. And of course, the lender expects you to continue to occupy the property.

## **I currently hold title in a Trust, can I keep it that way?**

Yes you can but the lender and title company do require that they review the trust and it must be approved. If you hold title in a trust you should let your Loan Officer know up front so he/she can get a copy of the trust and have it reviewed immediately so that there are no surprises later. Most trusts are prepared with lenders and their requirements in mind so they are not a problem but it is best to know as early on as possible!

## **Do I need to own my house free and clear, or can I get a reverse mortgage if I already have a loan on my house?**

You do not need to own your home free and clear to get a reverse mortgage. The proceeds can be used for any purpose, but any existing liens on the property must be paid off at closing. If the reverse mortgage is not large enough to cover your existing loan, you can still get the reverse mortgage by bringing in the additional funds from another account and still never have to make another house payment!

### **Will my heirs still receive an inheritance?**

Yes, after the balance of your reverse mortgage is paid off, all remaining equity will go to your heirs. One of the forms we provide you with before you close your loan is an amortization schedule so you will always know the principal balance of your loan, year by year. How much equity will remain will depend on such variables as how much money you draw, how long you stay in your home, home appreciation your home experiences and interest rates (if you have a variable interest rate loan).

### **What will my heirs have to do if the balance on the loan is greater than the property's value?**

This is one of the important safeguards of the reverse mortgage loan. The loan is known as a "non-recourse loan" which means that you and your heirs can never owe more than the property is worth, regardless of how long you occupy your home, how much money you borrow, or what happens to property values. The lender's only security for the loan is the property and you and your heirs can never owe more than the property is worth, regardless of the circumstances.

### **Sounds great so far, what is the down side of a reverse mortgage?**

While the reverse mortgage allows you to age in place and has no recourse, you are spending what has typically become a portion of the inheritance people have historically left to their heirs. With the changing of people's life expectancies, people no longer work until they are 62 and then pass at 70 leaving an estate with a paid off mortgage for their heirs. Now, people are living longer and need an additional source of income to help fund their retirement as social security is not equipped to fulfill all their needs. The reverse mortgage is an excellent and viable retirement tool but many seniors find it better to talk to their families early on in the decision making process. Most family members are not equipped to fund their family needs as well as those of their parents and see reverse mortgages as welcome vehicles for their senior family members, however, communication is highly recommended.

### **You said minimal credit qualifications, what if I've had a bankruptcy?**

Bankruptcies are typically not a problem and there is no time limit after a bankruptcy has been discharged. However, if you are currently in a Chapter 13 Bankruptcy (where you're making payments), then you have to be able to show that you have been making payments on time for a period of 12 months or more. The credit requirements are that you are not currently delinquent on a federal debt (SBA Loan, Student loan, FHA home loan, etc).

### **How do I determine if the Reverse Mortgage is the right loan for me?**

The reverse mortgage, especially the HUD Home Equity Conversion Mortgage (HECM) can be a very expensive short-term loan and may not be right for all borrowers. There are many things to consider. With the costs of the loan and the government insurance, if you only need the loan for a very short period of time, a reverse mortgage may not be the right option for you. On the other hand, if you intend

to occupy your property for a long period of time and wish to never make another payment for life while accessing your equity in the form of monthly payments, a line of credit, or both, then a reverse mortgage may be perfect for you!

### **How can I choose to take the reverse mortgage proceeds and are there any restrictions on what I use the funds for?**

This is one of the great features of the loan - you have choices!

1. You can take a lump sum, that is, all the cash up front.
2. Monthly Income (Tax-Free, Check with your Tax Advisor)
3. A Credit Line which grows monthly on the unused portion
4. A combination of any of the above, cash, income and credit line

After the lender funds your reverse mortgage loan, you can use the proceeds for any purpose you desire:

- ◆ Pay off your existing mortgage
- ◆ Remodel Your Home
- ◆ Pay Medical Expenses
- ◆ Buy a new car
- ◆ Help with School Expenses
- ◆ Supplement retirement income
- ◆ Take a Dream Vacation
- ◆ Keep Up with Rising Costs
- ◆ Pay Taxes
- ◆ Or anything else you choose!

### **What are the interest rates for reverse mortgages?**

Rates vary by program. For example, just within the HUD HECM loans you have fixed rates, monthly adjustable rates, and annual adjustable rates, with the adjustable rates, you have different margins available depending on the secondary market conditions at the time you obtain your loan. The one thing that you do need to remember is that all HUD rates are regulated in the same manner, that is, the index that drives the rate is the same for all lenders. The margin that they add to the index is what can vary, and this can be driven by the mortgage market. The rates for proprietary programs vary with the programs. We have access to many lenders' products, not just one or two, so we can be sure to match you up with the program which best suits your needs.

### **What are the fees?**

FHA regulates the fees that can be charged on the HECM loans. The borrower can pay an origination fee not to exceed 2% of the Principal Lending Limit of the county in which the property is located. This maximum amount is established by HUD. The borrower must also pay the up-front mortgage insurance premium of two per cent (2.0%) of the Lending Limit. In addition to the origination and mortgage insurance, you are also obligated to pay certain third-party charges which include but are not limited to: *Appraisal fees, Attorney fees, Title charges, Recording fees, Credit report fees, and some small other nominal charges.*

### **How long before I receive my money?**

Quite a bit of this depends on you! The specialists at Somerset Mortgage Corporation have many years experience in the mortgage banking industry and have become

industry leaders in reverse mortgage loans. We can take you through the process as fast or faster than any other lender but we need your help to get your counseling certificate completed as soon as possible (HUD does not allow us to complete many steps of the process until this very important step has been performed), we need to collect a very few things from you, but we do need to get them and the sooner the better, and we need your help to get the disclosures signed and returned in a timely manner. We can and do close most transactions in less than 30 days but we need your cooperation to do so!

### **What is a Counseling Certificate?**

A Reverse Mortgage Counseling Certificate is the certificate that you receive once you have attended a counseling session conducted by a certified reverse mortgage counselor. The counseling is specific to the program you have selected (whether it be the Government HECM program or one of the private proprietary products available) and can be done either face to face or by phone. We will be happy to give you the name and number for counselors who can offer the counseling for your desired product and we will be happy to assist you in setting up your appointment. Once you have completed the counseling, you will receive a certificate which the lender will require to proceed with your loan. The certificate ensures that you have an understanding of reverse mortgage loans in general and your program specifically.

### **What are FHA and Proprietary reverse mortgages and how are they different?**

The majority of the reverse mortgage loans made today are government loans, insured by the Federal Housing Authority (FHA). The FHA is a division of the Department of Housing and Urban Development (HUD). The government reverse mortgage is known as a Home Equity Conversion Mortgage (HECM) and the government insurance charged on each loan is 2% of the available principal lending limit for each HECM loan insured by HUD. The insurance you pay guarantees you that no matter what happens to the lender in the future, HUD will always make sure that you receive your payments. If anything ever happened, this branch of the federal government will step in and make sure you receive your payments on a monthly basis (if you chose the payment option), or that your credit line is always available to you.

A proprietary mortgage does not have the mortgage insurance premiums and there is no federal insurance to guarantee future payments. However, you only owe what you borrow (plus interest and any financed fees) and therefore if you take the full proceeds early in the term (a lump sum option) there is never a concern with future payments anyway. Proprietary programs typically have higher interest rates but lower up-front fees.

## **How do I start the application process for a reverse mortgage loan?**

This one is easy: **Call** us and answer just a few quick questions and we're off! We will only need the following items to get started with the All Reverse Mortgage Specialist picking up a few more during the application process but 4 things starts the process:

1. **We need to know your date of birth.** How much you qualify for is determined by the age of the younger of two borrowers (or the single borrower if only one), your property value and the location of your property within HUD's designated areas.
2. **The approximate value of your home.** If you know of any homes in your immediate area that are similar to yours that have sold recently, that information is helpful.
3. **If you have a current mortgage, we need to know the amount you currently owe.**
4. **We need your Zip Code for HUD lending limit determination.**

## **What do I need to give my All Reverse Mortgage Specialist?**

- Copy of your driver's license or other picture ID
- Copy of your social security card
- Copy of your Homeowners Insurance Policy Declaration Page
- Copy of your Mortgage Statement(s) (need all if any)\*\*
- Copy of your Trust (if your property is in a trust)\*\*
- Copy of the Power of Attorney if someone else will be signing for you\*\*
- Conservator information if you have a court appointed Conservator\*\*
- Bankruptcy discharge papers, if applicable\*\*

*\*\*These items are only required if they apply to you.*

- If your home is a condominium, I will need the contact information for the holder of the Master Insurance Policy.

## **How do I learn more about reverse mortgages?**

You can do one of several different things to gain more knowledge about reverse mortgages in general or specifically about your situation. Please feel free to call one of our reverse mortgage specialists- Paul H Sanders III at 912-230-7700 or LuV McDowell-Bailey at 912-399-4422 and we will be happy to send you a personalized package with your information and more in-depth information about reverse mortgages. There is a lot of good information available on the web (although some mis-information exists) and Tom Selleck is a good spokesman for the industry.

# Reverse Mortgage Myths

Have you been considering a reverse mortgage but are just afraid of some of the negative things you've heard? There are some negative "myths" that senior borrowers have heard about this type of financing that simply aren't true and we're going to expose some of those here.

**Myth #1** The Lender gets my house. This is not true. You own your home and the lender records a lien, just like a forward mortgage. The difference is that instead of borrowing money and then making monthly payments on the money, the lender gives you money against the equity in your home either all up front, in monthly payments, as a line of credit you can use when you want, or all of the above. You make no monthly payments and the interest accrues until the loan is paid in full. When you sell the home, stop living in it as your primary residence or the last borrower on the mortgage passes, the loan and all interest becomes due and payable (there are also some second home programs available). You (or your designated heirs upon your passing) retain title to your property.

**Myth #2** I don't have good enough credit to get a loan. There is almost no credit qualification for a reverse mortgage. On the government Home Equity Conversion Mortgage or HECM, the only requirement is that you cannot be delinquent on a federal obligation such as an FHA loan, Federally Insured Student Loan, Federally Insured SBA Loan etc. If you have declared bankruptcy, you are still eligible for a HECM reverse mortgage. If you are currently on a bankruptcy payment plan, you can still qualify if you have a history of 12 months or more of making the plan payment. You can even get a reverse mortgage if you are currently in foreclosure!

**Myth #3** My house has to be paid in full to get a reverse mortgage. Some seniors get a reverse mortgage to augment their income and do start with homes that are paid in full or have loans with very small balances, but some seniors take a reverse mortgage just so that they can pay off their existing financing and never make another loan payment for life. In fact, some loans go to people who bring in cash to close the loan, just to stop all payments for life.

**Myth #4** A reverse mortgage will affect my social security benefits. Reverse mortgages do not affect a senior's social security benefits. We recommend that seniors consult with a trusted financial advisor because need-based programs such as Medicaid, can be affected if the reverse mortgage is not administered correctly. However, retirement programs, social security and taxes are not affected and this should not stop seniors from getting the help they need to stay at home if that is what they desire.

The specialists at Somerset Mortgage Corporation are here to chase away the myths and help seniors learn about the many programs available to them. We put our experience and our passion for this product to use to help seniors age in grace and dignity. Give us

a call today (912) 638-2020 or Toll Free (866) 638-2020 and let us show you how much you or a loved one can qualify benefit from a Reverse Mortgage.