With the recent revisions and protections put in place by the Federal Housing Administration and the U.S. Department of Housing and Urban Development, the reverse mortgage loan is gaining increasing acceptance by borrowers and financial advisors alike.

It is an amazing concept… *To live in your home and have access to home equity without having to pay a monthly principal and interest payment on a mortgage.*

To have access to home equity as a readily available line of credit to fund elder health care costs or to arrange for a distribution of home equity to your checking account each month in order to offset other retirement income shortfalls.

And, while it's true that the home equity you borrow has to be paid back at such time as the homeowner either moves away, sells the home, or dies…the fact remains that there is no requirement to make a monthly principal and interest payment as long as the last living borrower or eligible non-borrowing spouse remains in the home and complies with the loan terms. Yes, there are conditions…and we are going to cover them shortly.

This very unique loan is called the HOME EQUITY CONVERSION MORTGAGE, frequently referred to as a HECM loan (pronounced "heck-em") … and it could be just right for you.

That's right! It's just a home equity loan provided under the guidelines established by the Federal Housing Administration (FHA) and administered by the US Department of Housing and Urban Development (HUD). The loan can be used to generate monthly cash flow, to use as a readily accessible line of credit, or to access as a lump-sum. No, the bank does not own your home…it's just a home equity loan. You retain the title and deed and your loan is secured by a lien. You are required to pay your property taxes and homeowner's insurance, maintain your property, and otherwise comply with the loan terms.

Here's How It Works

The HECM Home Equity Loan is used first to pay-off any existing loans on your home, like an existing mortgage or another home equity loan. Then the remaining balance of available equity can be used to provide monthly funds, to establish a line of credit, or to receive the available funds in a lump-sum. Of course, if you do not have any existing mortgages or loans against the home, then the total amount of available equity can be used to create a larger line of credit, greater monthly payments, or a lump-sum distribution as you may choose. More on that in a moment…

And, yes, you can sell your home at any time and keep any profits that exceed the loan balance. Go ahead, sell whenever you want. In fact, one of the remarkable provisions of the product is that when the loan is eventually paid off, the amount of funds required to pay off the loan balance cannot exceed the actual appraised value of the property. That means that if the loan balance is $325,000 and the home is only worth $200,000, then the borrower or the heirs can pay off the loan at the lesser amount. And, no debt is passed along to the estate or heirs.

The HECM loan is designed for a special group of people like you!

It's a home equity loan that is specifically designed for people at least age 62 who want to remain in their long-time family home, increase their ability to manage monthly cash obligations and elder health care costs, generate additional retirement cash flow to subsidize Social Security and other pension funds and, generally, enjoy a more comfortable lifestyle throughout their elder years.

Some people call this loan a Reverse Mortgage. But that's only part of the story.

The Home Equity Conversion Mortgage has three primary components, only one of which is correctly referred to as the Reverse Mortgage. That is when you choose to receive regular monthly distributions from your equity loan. In the old days, around 28 years ago, Lenders would promote the product with the advertising phrase "Don't Pay the Bank, Let the Bank Pay You!"

In other words, "…don't make monthly mortgage payments to your bank. Let them send money to you each month instead." Sounded great then, and still does – so long as the borrower understands that it's not free money being sent to you each month, but that you are, in fact, borrowing your equity in such a way as to receive it in monthly installments.

The second option that can be put in place with the HECM Loan is to establish a Line of Credit. That is, you choose not to initiate regular monthly distributions of equity to your checking account, ie., "reverse", but, instead, arrange for the available equity funds to remain accessible as a Standby Line of Credit. Under this scenario, the borrower can make a telephone call to the lender at any time to request that a certain amount of available funds be deposited to his or her secure bank account. A third option is to request the available funds as a lump sum distribution.

You can buy a new home, too!

The third option is to use the Home Equity Conversion Mortgage as a financial tool to buy a new home such as when downsizing to a retirement condo. This option is called the HECM-for-Purchase Program and enables those who would normally be initiating an all-cash purchase transaction to keep much of that cash in their pocket to be used for home maintenance, travel, healthcare and other senior lifestyle requirements.

Think about the power of this! Instead of paying all cash for the home purchase, suppose the buyer only pays a third of the cost in cash, or one-half the cost, depending on the available loan criteria. In this event, the buyer can keep the funds that were going to be buried back into the ground.

Then, the buyer can live in the home until the last living borrower or eligible non-borrowing spouse moves out, sells, or dies. Even better, throughout all those years the borrower or eligible non-borrowing spouse is never required to make a regular monthly mortgage payment!

What about Paying Off the Loan?

In each of the optional HECM scenarios, the borrowers never owe more than the amount that has been borrowed to date plus accrued interest and fees. When the time comes that the borrower or eligible non-borrowing spouse needs to move out of the home, when it’s time to sell the home, or when the last remaining borrower or eligible non-borrowing spouse dies, the accumulated loan balance is due and payable to the lender.

On any of those three occasions, the homeowner or the heirs will likely choose to sell the home or pay off the existing balance using their own funds or by obtaining financing to do so. Should the home be sold, all profits of sale after paying off the loan balance remain in the hands of the borrowers or the heirs.

If You Could Live in Your Home Forever and Never Have to Make a Regular Monthly Mortgage Payment, Would You Enjoy That?

Is the question making more sense now? But, what's the catch, you ask…

There is no catch! There are conditions and requirements, of course, but those conditions are logical and common to all local residential home lenders, too. For example, even though the borrowers have no obligation to make monthly principal and interest payments, the borrowers are still obligated to pay all Real Estate Taxes when due.

That makes sense. I don't know of any county in America that does not require the payment of real estate taxes. Yet, it is equally important to note that some counties do provide complete or partial waivers of real estate taxes to qualifying senior homeowners (check it out on your county government web site!).

The key point here is that, since no monthly mortgage payments are being made to the lender by the borrower, there is customarily no escrow account held by the lender for eventual payment of taxes on the borrower's behalf. The obligation to pay all real estate taxes would usually remain in the hands of the borrowers.

However, in the event that loan qualification requires it, the lender may require a lump-sum escrow to be set aside to be paid by the lender on the borrower's behalf over a period of years. Such set-aside would normally be calculated to pay real estate taxes and homeowners insurance premiums that would likely be necessary to cover future payments over the number of years matching the life expectancy of the youngest borrower and/or the eligible non-borrowing spouse.

It is also important to note that proper maintenance of the home is required under the terms of the loan to prevent unchecked deterioration so that the dwelling will retain its loan security value over time.

All of these conditions are designed to make sure that the borrower does nothing to enable third-parties or local government taxing agencies to take legal precedence over the loan terms and the security of first lien position put in place by the lender. These are all normal requirements…each of which is nothing new to national home lending standards.

This sounds perfect for me! What do we do now?

The first step is to have a discussion. You can call or send me an email to set-up a phone conversation or to arrange a personal visit to your home for a chat around the kitchen table.

In each case, I will prepare a summary of the home equity loan funds available to you and provide a variety of informational documents for your review.

If you wish to move forward, I will assist you in preparing the loan submission documents and guide you through the approximately 30-45 day process. Both during the process, and afterwards, you will be comfortable with the realization that you have chosen a competent, experienced, and compassionate loan officer dedicated to helping senior homeowners reach a level of financial comfort that can enhance a quality of life.

Not sure yet?

Then let's have a quick conversation! Just give me 5 minutes to answer your immediate questions and provide you with additional insight into this truly remarkable federally insured home loan product. I will prove to you that the HECM Reverse Mortgage is so much more than you thought you knew.

Just 5 minutes to learn more about how you can access your home equity to ease your financial concerns and enjoy a better life!
You can call me on my mobile phone at 703.932.8943 to talk about the specifics that apply to your particular scenario. I will show you how the flexible payment HECM Home Equity Loan can help you better manage your senior lifestyle requirements.

And, one more thing…you will enjoy this conversation!

Contact me today.

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