

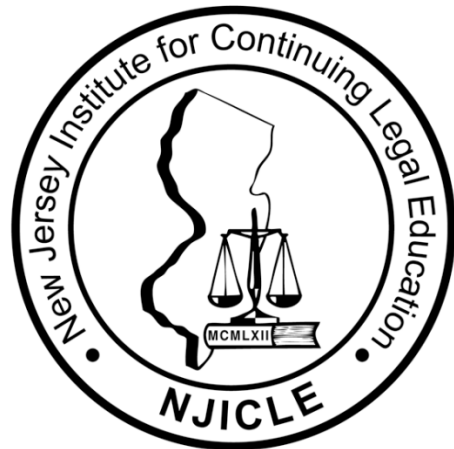
REVERSE ANNUITY MORTGAGES – WHAT YOU NEED TO KNOW IN THE NEW NORMAL

2022 Seminar Material

M1140.22

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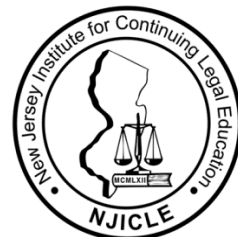
REVERSE ANNUITY MORTGAGES – WHAT YOU NEED TO KNOW IN THE NEW NORMAL

Speakers

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Certified as an Elder Law Attorney by
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(Bridgewater)

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REVERSE MORTGAGES

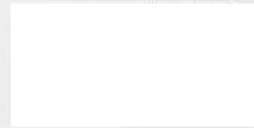
By Earl Rose, VP of Lending,
Guaranteed Rate and
Shana Siegel, Esq.
Norris McLaughlin P.A.

EARL ROSE, VP OF MORTGAGE LENDING/REVERSE MORTGAGE

EARL HAS BEEN LICENSED IN REAL ESTATE SINCE 1979. HE STARTED IN THE MORTGAGE BUSINESS IN 1989. HE OWNED A MORTGAGE BROKERAGE FROM 1994 TO 2006. HE SUCCESSFULLY MANAGED A LAND DEVELOPMENT PROJECT INVOLVING 96 RESIDENTIAL LOTS 1996 TO 2001. HE STARTED IN REVERSE MORTGAGES IN 2002 AND JOINED GUARANTEED RATE, WHO IS NATIONALLY THE THIRD LARGEST MORTGAGE COMPANY, IN 2009.

EARL SPEAR HEADED THE DEVELOPMENT OF THE GRATE REVERSE DEPARTMENT, AND HE CURRENTLY MANAGES THE ONLY FULL TIME REVERSE OFFICE IN GUARANTEED RATE. HE IS RANKED NATIONALLY IN THE TOP 50 OF ALL REVERSE MORTGAGE ORIGINATORS AND HAS CLOSED OVER 1,200 REVERSE MORTGAGES DURING HIS CAREER.

HE CONDUCTS EDUCATIONAL REVERSE MORTGAGE SEMINARS FOR RE AGENTS, LOAN OFFICERS AND OTHER PROFESSIONAL GROUPS. HE HAS HELD THE OFFICE OF PRESIDENT IN KIWANIS AND A VARIETY OF NON-PROFIT COMMUNITY GROUPS AS WELL AS BEING A MEMBER OF LOCAL BUSINESS ASSOCIATIONS.



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PURCHASE REVERSE

EARL ROSE – GUARANTEED RATE REVERSE MORTGAGE SPECIALIST
19 YRS OF REVERSE MORTGAGES/40 YRS OF REAL ESTATE & MORTGAGE



THREE OBJECTIVES TODAY

01

**INCREASE YOUR
ABILITY TO
ACCOMMODATE
CLIENT NEEDS**

02

**EDUCATE ON THE
POSITIVE
IMPACT/BENEFITS OF
REVERSE
MORTGAGES**

03

**PROVIDE YOU WITH
CONFIDENCE IN THE
PRODUCT –
MATHEMATICALLY**

WHAT YOU WILL LEARN TODAY



- **REVERSE MORTGAGE BASICS**
- **HOW THE PROGRAM WORKS**
- **TYPES OF PRODUCTS**
- **FINANCIAL ASSESSMENT**
- **HECM TO HECM REFINANCE**
- **REASONS/USES FOR REVERSE MORTGAGE PRODUCTS**
- **HOW THE STRATEGIC USE OF HOME EQUITY CAN ENHANCE AND MANAGE WEALTH**
- **FINANCIAL SAFEGUARDS FOR OLDER ADULTS**
- **SUMMARY AND RESOURCES**

REGULATORY BODIES AND AGENCIES

- **HUD ADMINISTERS FEDERAL PROGRAMS DEALING WITH BETTER HOUSING AND URBAN RENEWAL. IT WAS CREATED IN 1965.**
- **FHA IS A GOVERNMENT AGENCY WHOSE PRIMARY PURPOSE IS TO INSURE RESIDENTIAL MORTGAGE LOANS.**
- **NRMLA IS AN ASSOCIATION THAT SERVES AS THE NATIONAL VOICE OF THE REVERSE MORTGAGE INDUSTRY, AND ACTS AS AN EDUCATIONAL RESOURCE, POLICY ADVOCATE, AND PUBLIC AFFAIRS CENTER FOR LENDERS AND RELATED PROFESSIONALS. IT WAS ESTABLISHED IN 1997 TO ENHANCE THE PROFESSIONALISM OF THE REVERSE MORTGAGE BUSINESS.**

REVERSE MORTGAGES

- **A REVERSE MORTGAGE IS A NON-RECOURSE LOAN THAT ALLOWS OLDER ADULT HOMEOWNERS (62+) TO ACCESS A PORTION OF THEIR HOME EQUITY.**
- **THIS PRODUCT IS ALSO KNOWN AS A HECM, WHICH IS AN ACRONYM FOR HOME EQUITY CONVERSION MORTGAGE**
- **THE BORROWER ALWAYS RETAINS TITLE TO THEIR PROPERTY.**
- **NO PAYMENTS REQUIRED UNTIL LAST BORROWER PERMANENTLY LEAVES THE HOME.**

THE BORROWER CAN ACCESS AVAILABLE EQUITY AS EITHER:

- **UPFRONT CASH**
- **TERM OR TENURE PAYMENTS**
- **A LINE OF CREDIT**
- **ANY COMBINATION OF THESE**

FHA INSURANCE

- **FHA MORTGAGE INSURANCE PROVIDES LENDERS WITH PROTECTION AGAINST LOSSES THAT RESULT WHEN HOMEOWNERS DEFAULT ON THEIR MORTGAGE LOANS.**
- **THE LENDERS BEAR LESS RISK BECAUSE FHA PAYS A CLAIM TO THE LENDER IN THE EVENT OF HOMEOWNER DEFAULT.**
- **FHA MORTGAGE INSURANCE PROTECTS THE BORROWER IF THERE IS NOT ENOUGH MONEY FROM THE SALE OF THE HOME TO REPAY THE LOAN IN FULL. WHEN THAT OCCURS, FHA INSURANCE PAYS THE DIFFERENCE. THIS "NON-RECOURSE" FEATURE ENSURES THAT THE BORROWER IS NOT LIABLE FOR THE DIFFERENCE BETWEEN THE SALE PRICE AND THE LOAN BALANCE AT THE END OF THE REVERSE MORTGAGE.**
- **NOTE: REVERSE MORTGAGE PROPRIETARY PRODUCTS ARE NOT FHA-INSURED. PLEASE ASK FOR ADDITIONAL DETAILS.**
- **IMPORTANT: THE NON-RECOURSE FEATURE IS EXCLUSIVE TO FHA REVERSE MORTGAGES.**

HOW MUCH IS AVAILABLE & WAYS TO ACCESS MONEY

- **THE AMOUNT OF AVAILABLE VALUE INCREASES WITH THE AGE OF THE BORROWER AT APPLICATION**
- **AVAILABLE VALUE INCREASES WITH A LOWER EXPECTED RATE AT APPLICATION**
- **LIENS ARE PAID OFF FIRST AND THEN ACCESSIBILITY CAN BE ...**
- **AS A LINE OF CREDIT THAT CAN GROW AND COMPOUND**
- **TENURE PAYMENT: A TENURE PAYMENT IS MONTHLY PAYMENTS THROUGHOUT THE LIFE OF THE LOAN**
- **TERM PAYMENT: A TERM PAYMENT IS A SET AMOUNT FOR A SPECIFIED PERIOD OF TIME.**
- **UP FRONT CASH**
- **ANY COMBO OF THE ABOVE**

How Much Can They Receive?

The Principal Limit (amount available to client) is determined by:

- AGE of the youngest borrower
 - *The older the age results in more access to funds*
- VALUE of the home - Home value limit \$970,800.00
- RATES lower the rate, the more benefit to client(s)



- 62 years /48% of value of \$500 = 240k*
- 90 years /70% of value of \$500 = 350k*

* approximations for illustration purposes only, % will vary client to client based on current rates

Refinance (LTV) Purchase

[These figures below are to be used as generalizations only – individual assessments are required for precise outcomes]

How much of value can be accessed?
Based on rates for 12/15/21

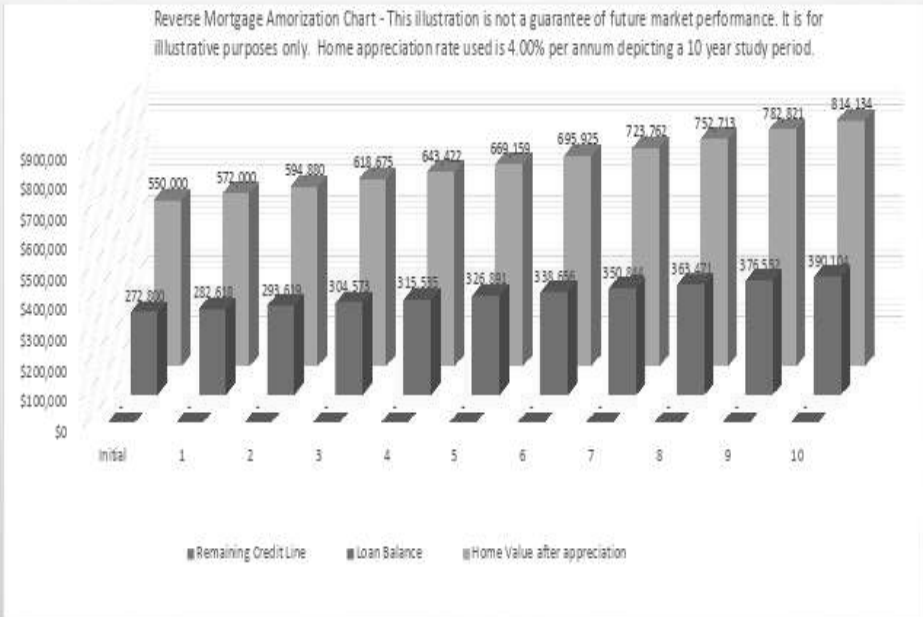
Minimum total down payment required?
Based on rates for 12/15/21

- | | |
|--|--|
| <ul style="list-style-type: none"> • 62 48% • 72 53% • 82 60% • 92 70% | <ul style="list-style-type: none"> • 62 52% • 72 47% • 82 39% • 92 29% |
|--|--|

- National value limit of \$970,800.00 for HUD Reverse mortgages. These figures were calculated on 12/15/21

- National loan limit of \$970,800.00 for HUD Reverse mortgages. These figures were calculated on 12/15/21

62 yr. old sells for \$400k – Buys for \$550k – \$273k needed for purchase – pockets \$127k



Only homeowners Seniors 62 yrs. and older have access to a 'peace of mind' insurance policy with these built-in benefits:

- No worries about mortgage payments**
- No worries about Real Estate values deflating
- Access to an account for saving money at tax-free rates with total access to funds
- Estate protection for your assets
- Free up a hard asset into a liquid, tax-free asset*
- Know that your spouse is protected in the future
- Double your cash home buying power and have no P&I payments



Does such a policy exist?

Yes, it does.



It is an inherent part of the FHA/HUD Reverse mortgage program.

Want to know more? Call us.

Two decades of helping seniors and our clients always say the same thing - "Why doesn't everyone know the facts about Reverses?" Trust me, we are working hard to tell everyone.

Guaranteed Rate does not provide tax advice. Please contact your tax advisor for any tax related questions." *Client has to pay taxes, insurance and maintain the property. If they fail to do so they risk foreclosure."

REPAYMENT

3 options:

Repay the loan and keep the house. If family wants the house, they will not need to pay more than 95% of appraised value.

Sell home and keep remaining equity

If loan is greater than value, deed home to servicer and walk away

HECM FOR PURCHASE

(BASED ON 72 Y/O)

DOWNSIZING

- **WITHOUT A HECM FOR PURCHASE**
- **SALE PRICE (OLD HOME) \$500,000**
- **8% CLOSING COSTS \$-40,000**
- **NET PROCEEDS \$460,000**
- **NEW HOME PRICE \$350,000**
- **FUNDS REMAINING \$110,000**

DOWNSIZING WITH LIQUIDITY

- **WITH A HECM FOR PURCHASE**
- **SALE PRICE (OLD HOME) \$500,000**
- **8% CLOSING COSTS \$-40,000**
- **NET PROCEEDS \$460,000**
- **NEW HOME PRICE \$350,000**
- **HECM FOR PURCHASE \$207,304**
- **DOWN PAYMENT \$142,696 (FROM SALE PROCEEDS)**
- **FUNDS REMAINING \$317,304**

CREDIT HISTORY SUMMARY

LENDERS CONSIDER THE FOLLOWING IN THE BORROWER'S OVERALL PATTERN OF CREDIT BEHAVIOR:

- **THERE ARE NO TAX ARREARAGES IN THE LAST 24 MONTHS PRIOR TO LOAN APPLICATION. ALL PROPERTY CHARGES ARE CURRENT AT APPLICATION.**
- **HOMEOWNER INSURANCE (AND FLOOD INSURANCE, IF APPLICABLE) WAS IN PLACE FOR A MINIMUM OF 12 MONTHS PRIOR TO THE DATE OF APPLICATION, AND THE BORROWER HAS A SATISFACTORY HISTORY OF MAINTAINING IT. FAR DETERMINES IF THE BORROWER PAID INSURANCE AND TAXES DIRECTLY.**
- **THERE IS A SATISFACTORY PAYMENT HISTORY ON MORTGAGES, INSTALLMENT ACCOUNTS AND REVOLVING CREDIT, IN THAT ORDER.**

FINANCIAL CAPACITY AND CREDIT RESPONSIBILITY

- **BORROWERS MUST HAVE ENOUGH MONTHLY INCOME TO COVER PROPERTY TAX, INSURANCE, INSTALLMENT AND REVOLVING DEBT, PROPERTY MAINTENANCE (CALCULATED AT .14 PER SQ. FT.) AND PERSONAL MAINTENANCE PER INDIVIDUAL.**
- **MUST HAVE 2 YEARS OF ACCEPTABLE CREDIT HISTORY WITH COMPENSATING FACTORS CONSIDERED.**

TABLE OF RESIDUAL INCOME

Family Size	Northeast	Midwest	South	West
1	\$540	\$529	\$529	\$589
2	\$906	\$886	\$886	\$998
3	\$946	\$927	\$927	\$1,031
4 or More	\$1,066	\$1,041	\$1,041	\$1,160

TRADITIONAL INCOME SOURCES

- **LENDERS CALCULATE AND DOCUMENT INCOME FOR ALL BORROWERS. THEN THEY DETERMINE IF THE BORROWER HAS SUFFICIENT RESIDUAL INCOME EQUAL TO, OR IN EXCESS OF, THE REQUIRED AMOUNT, BASED ON GEOGRAPHIC REGION AND FAMILY SIZE, PER THE RESIDUAL INCOME TABLES ON THE PREVIOUS SLIDE.**

THE TYPES OF TRADITIONAL INCOME WE CONSIDER INCLUDE:

- **EMPLOYMENT INCOME**
- **RENTAL INCOME**
- **PENSION/RETIREMENT BENEFITS (BASED ON PERIOD OF CONTINUANCE)**
- **VA BENEFITS**
- **SOCIAL SECURITY, DISABILITY, WORKMAN'S COMP, PUBLIC ASSISTANCE**

DEFINITION OF LESA

- **A LIFE EXPECTANCY SET-ASIDE (LESA) IS AN AMOUNT WITHHELD FROM THE PROCEEDS OF THE HECM LOAN FOR THE PAYMENT OF PROPERTY CHARGES DURING THE BORROWER'S LIFETIME.**
- **A LESA IS BASED ON A VARIETY OF FACTORS.**
- **WHEN A LESA IS NECESSARY AND THE BORROWER IS SHORT TO CLOSE, THEY NEED TO BRING FUNDS TO CLOSING.**

DEFINITION OF LESA, CONT.

WE BASE OUR DECISION TO REQUIRE A LESA ON THE BORROWER'S ABILITY TO DEMONSTRATE A WILLINGNESS TO KEEP UP FINANCIAL OBLIGATIONS BY EXAMINING:

- **CREDIT HISTORY**
- **PROPERTY CHARGE PAYMENT HISTORY**

WE ALSO BASE OUR DECISION ON THE BORROWER'S ABILITY TO DEMONSTRATE THE CAPACITY TO HANDLE MONTHLY OBLIGATIONS BY CALCULATING:

- **INCOME**
- **EXPENSES**
- **RESIDUAL INCOME**

Top Ten Reverse Mortgage Myths

1. THERE ARE NO OBJECTIVE ADVISORS FOR THE SENIORS
2. EVENTUALLY, THE LENDER WILL OWN THEIR HOME
3. ONLY POOR, DESPERATE SENIORS GET REVERSE MORTGAGES
4. LENDERS WILL PRESSURE SENIORS & TAKE ADVANTAGE OF THEM
5. MY CHILDREN WILL BE RESPONSIBLE TO REPAY THE LOAN
6. MY SOCIAL SECURITY OR MEDICARE WILL BE AFFECTED
7. SENIORS ARE PRESSURED TO BUY 'ADD-ON' PRODUCTS
8. LENDER WILL EVICT ME IF I EXCEED MY LIFE EXPECTANCY
9. I WILL BE RESTRICTED AS TO HOW I USE LOAN PROCEEDS
10. I CANNOT GET A REVERSE MORTGAGE IF I HAVE AN EXISTING MORTGAGE



- AS OF 2019, 51.4 MILLION AMERICANS ARE AT OR OVER THE AGE OF 65
- PEOPLE AGE 65 AND OLDER REPRESENTED 16% OF THE POPULATION IN THE YEAR 2019 BUT ARE EXPECTED TO GROW TO BE 21.6% OF THE POPULATION BY 2040
- OF THE 14.1 MILLION HOUSEHOLDS HEADED BY PERSONS AGE 75 AND OLDER IN 2019, 77% (10.8 MILLION) OWNED THEIR HOMES

SOURCE: U.S. CENSUS BUREAU, POPULATION ESTIMATES AND PROJECTIONS



The population age 65 and older increased from 39.6 million in 2009 to 54.1 million in 2019 (a 36% increase) and is projected to reach 94.7 million in 2060.

2000



2040

By 2040, there will be about 80.8 million older persons, more than twice as many as in 2000.

Source: U.S. Census Bureau, Population Estimates and Projections

GOVERNMENT OVERSIGHT - COUNSELING

IN ORDER TO PROTECT CONSUMERS, HUD REQUIRES THE FOLLOWING:

- **PROSPECTIVE BORROWERS MUST RECEIVE COUNSELING BEFORE PROCEEDING WITH A REVERSE MORTGAGE**
- **COUNSELING IS CONDUCTED BY INDEPENDENT, THIRD-PARTY ADVOCACY ORGANIZATIONS AND HOUSING COUNSELING AGENCIES**
- **COUNSELORS ARE HUD-APPROVED, EXAM-QUALIFIED PROFESSIONAL HOUSING COUNSELORS**
- **BORROWERS RECEIVE DOCUMENTATION TO PREPARE FOR THE SESSION**

REVERSE MORTGAGE PROTECTIONS

HOW HAS THE REVERSE MORTGAGE INDUSTRY PROTECTED SENIORS AGAINST ELDER ABUSE?

- **THE REVERSE MORTGAGE INDUSTRY HAS BEEN REGULATED BY THE GOVERNMENT SINCE 1988. BECAUSE OF THIS, LENDING INSTITUTIONS HAVE A VARIETY OF SAFEGUARDS THAT PROTECT OLDER ADULTS FROM FINANCIAL ABUSE.**
- **OLDER HOMEOWNERS MAY BE TARGETS FOR SCAM ARTISTS WHO OFFER TOO-GOOD-TO-BE-TRUE REAL ESTATE OR INVESTMENT DEALS. BECAUSE SENIORS ARE VULNERABLE, IT IS OUR OBLIGATION TO EDUCATE SENIORS IN HOW THE REVERSE MORTGAGE BENEFITS APPLY TO THEM.**
- **THAT'S WHY REVERSE MORTGAGE COUNSELING IS SO CRITICAL. THE COUNSELOR WILL HELP YOU LOOK AT THE LONG-TERM RESPONSIBILITIES OF A LOAN, NOT JUST THE SHORT-TERM BENEFITS.**
- **OLDER ADULTS SHOULD ALWAYS AVOID ANY UNSOLICITED OFFERS FOR A REVERSE MORTGAGE, OR FOR HELP WITH THESE LOANS. IF YOU SUSPECT THAT SOMEONE HAS BEEN TARGETED BY A SCAMMER, CALL 800-347-3735 TO FILE A COMPLAINT WITH HUD.**

REVERSE JUMBO

- **FOR THOSE PROPERTIES OVER \$970,800.00 LOOK AT JUMBO REVERSE, PROPRIETARY PRODUCT, SO NOT GOVERNMENT INSURED**
- **JUMBO REQUIRES VIDEO TAPED SESSION WITH ATTORNEY TO ENSURE UNDERSTANDING OF THE PRODUCT**
- **JUMBO CAN GO UP TO \$4 MILLION, FAR EXCEEDING HECM LENDING LIMITS**
- **NEED TO RUN AN ANALYSIS OF HECM/JUMBO TO DETERMINE WHICH PROVIDES CLIENT GREATEST BENEFIT**

BENEFITS:

- **NO UPFRONT MORTGAGE INSURANCE**
- **RATE IS HIGHER THAN HECM, INSURANCE IS BUILT INTO INTEREST RATE**
- **ALL THE SAME BENEFITS AS HECM EXCEPT NBS (NON BORROWING SPOUSE)**

COSTS

THE COST TO THE BORROWER INCLUDES:

- TRADITIONAL THIRD-PARTY CLOSING COSTS
- A POSSIBLE ORIGATION FEE
- MORTGAGE INSURANCE PREMIUM (MIP)
- 2.00% OF THE MCA. AND .50% ANNUALLY OF THE OUTSTANDING BALANCE. THE .50% ALSO EFFECTS LINE GROWTH.

ORIGATION FEE

- THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AND RESPA IMPOSE RESTRICTIONS ON FEES PAYABLE IN CONNECTION WITH CLOSING. UNDER [MORTGAGEE LETTER 08-34](#) LOAN ORIGATION FEES CANNOT EXCEED THE GREATER OF \$2,500 OR TWO PERCENT OF THE MAXIMUM CLAIM AMOUNT (MCA) OF THE MORTGAGE, UP TO AN MCA OF \$200,000. IF THE MCA EXCEEDS \$200,000 LENDERS CAN CHARGE AN ADDITIONAL ONE PERCENT OF THE AMOUNT EXCEEDING \$200,000, TO A MAXIMUM OF \$6,000.
- **EXAMPLE:** THE MAXIMUM CLAIM AMOUNT ON A LOAN IS \$500,000. CLOSING COSTS WOULD BE 2% OF THE FIRST \$200,000 PLUS 1% OF THE REMAINDER TO A MAXIMUM OF \$6,000
 - **FIRST \$200,000 @ 2%:** $\$200,000 \times 2\% = \$4,000$
 - **REMAINDER @ 1%:** $\$500,000 - \$200,000 = \$300,000 \times 1\% = \$3,000$
 - **$\$4,000 + \$3,000 = \$7,000$**
- THIS AMOUNT EXCEEDS THE MAXIMUM ORIGATION FEE OF \$6,000, SO THE ORIGATION FEE IS \$6,000.

Benefits of FHA/HUD Reverse Mortgage Insurance

- 1) Protects Estate Assets – (retirement accounts, savings, etc.) creditors cannot access
- 2) Protects Public Interest – No government bailouts required if economy fails
- 3) No worries if home values were to plummet – allows for peace of mind
- 4) Allows for growth of funds in a line of credit at a tax-free rate *
- 5) Built-in supplemental equity access – you can put funds into the line of credit
- 6) Easier qualifying than conventional mortgages i.e. credit & income guidelines
- 7) No principle or interest payments are required – peace of mind
- 8) No threat of foreclosure due to inability to make P&I payments
- 9) Eliminates stress, protects spouse, estate and future – *use for Purchase or Refinance*

Compared to:

Benefits of Forward (Standard) Mortgage Insurance

- 1) Protects the Lender

Guaranteed Rate does not provide tax advice. Please contact your tax advisor for any tax related questions.

REVERSE MORTGAGES



IN THE REVERSE MORTGAGE INDUSTRY, WE DEAL WITH CLIENTS' ESTATE PLANNING, TRUSTS, WILLS, ETC. MORE THAN ANY OTHER SEGMENT OF THE MORTGAGE INDUSTRY DUE TO OUR CLIENT BASE.

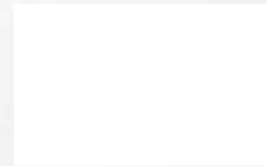


- **We will send you a brief client information intake form.**
- **Fill out the Intake Form and send it to us for evaluation.**

What happens next?

- 1) Earl and his team will process the information and let you know how much house your customer now qualifies for.**
- 2) Together we work on a plan and schedule a presentation.**

Our promise: Keep you in the loop and support you 100%!



EARL ROSE
REVERSE MORTGAGE SPECIALIST

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DISCLAIMER

REVERSE MORTGAGE APPLICANTS MUST MEET FINANCIAL ASSESSMENT REQUIREMENTS AND BE RESPONSIBLE FOR MONTHLY PROPERTY CHARGES SUCH AS PROPERTY TAX AND HOMEOWNER'S INSURANCE OR COULD BE SUBJECT TO FORECLOSURE. APPLICANT MUST QUALIFY BASED OFF AGE, EQUITY, CURRENT BALANCES AND OTHER VARIOUS FACTORS. RESTRICTIONS APPLY. THIS MATERIAL IS NOT PROVIDED BY, NOR WAS IT APPROVED BY THE DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (HUD), THE FEDERAL HOUSING ADMINISTRATION (FHA), OR ANY OTHER GOVERNMENT AGENCIES. GUARANTEED RATE, INC. HAS NO AFFILIATION WITH ANY GOVERNMENT AGENCY. APPLICANT SUBJECT TO CREDIT AND UNDERWRITING APPROVAL. NOT ALL APPLICANTS WILL BE APPROVED FOR FINANCING. RECEIPT OF APPLICATION DOES NOT REPRESENT AN APPROVAL FOR FINANCING OR INTEREST RATE GUARANTEE. TO FIND A REVERSE MORTGAGE COUNSELOR APPLICANTS CAN SEARCH THE HECM COUNSELOR ROSTER AT [HTTPS://ENTP.HUD.GOV/IDAPP/HTML/HECM_AGENCY_LOOK.CFM](https://entp.hud.gov/idapp/html/hecm_agency_look.cfm) OR CALL (800) 569-4287.

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Reverse Mortgages: Legal and Practical Implications



Shana Siegel, ESQ., CELA, CAP

Non-Borrower Spouses

- Sometimes seen as best not to add spouse as borrower if younger
- This left spouses unprotected and facing eviction
- HUD amended rules to protect non-borrower spouse if
 - Married at time of loan
 - Named as non-borrowing spouse on loan
 - Spouse pays tax, insurance and maintenance
 - Request a Mortgagee Optional Election assignment
- Spouse does not have access to HECM funds

Other Household Members

- Household members cannot combine income to help borrower qualify
- Household members that are dependent on the Borrower
- Voluntary to share income info but can reduce family size
- If choose to share information must meet all documentation requirements
- After death of borrower no protection

Protections in Reverse Mortgage Process

- Specialized Mortgage Broker can help evaluate appropriateness
- Assess capacity – legally contract capacity
 - - as compared to regular refinance w/ electronic signature
- Ask about undue influence
- Third Party Counseling requirement
- Can be entered into by POA or Guardian – will require documentation for mortgage company and title company
- Often require doctor certification
- If competent then borrower will need to undergo counseling and sign closing documents not POA

Long Term Care Issues

- One of main advantages is to fund long term care at home
- But if borrower needs facility care, then move considered permanent after 12 months
- For single applicant going into facility, then home would have to be sold
- If applicant married, then HECM available for 12 months
- If spouse is also borrower then not an issue

Impact on Medicaid and Medicaid Planning

- Line of credit is not considered as an asset or income for Medicaid purposes
- Lump sum would be asset
- Annuity style HECM may be considered income
- HECM funds can be used for care to allow spouse to keep maximum allowable
- May want to postpone until Medicaid approved
- HECM funds can be used to make up for loss of applicant income
- Limits ability to engage in Medicaid asset protection

Issues w Title

Revocable trust – can be used w HECM. All lifetime beneficiaries are HECM borrowers.

Irrevocable trust – rarely work with HECM. Potential use if borrower and lifetime beneficiaries both occupy as principal residence and all are eligible HECM borrowers.

Life Estate – an interest in real property for the duration of the owner's life. When the owner dies, the estate passes to a third party. If the property is held in a life estate, it will complicate HECM. Persons with remainder interest must also execute the security agreements, riders to the security instruments, notice of right to cancel, and the Truth in Lending (TIL). The borrower and all holders of any future interest in the property must be present at closing, and sign the Deed of Trust, riders, and rescission. Holders of future interest do not execute the loan agreement. The remainderman must attend counseling.

Other Elder Law and Special Needs Issues

- Borrower (or spouse after death) must be able to pay property taxes, insurance and maintenance
- Complicates process of putting in trust for special needs child

Thank you

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

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About the Panelists...

Earl Rose is VP of Mortgage Lending and a Reversed Mortgage Specialist at Guaranteed Rate in Forest Lake, Minnesota.

Mr. Rose has been licensed in real estate and mortgages since 1979, has developed large single-family tracts of land and has owned a mortgage brokerage. Now specializing in FHA loans/reverse mortgages, he teaches consumers, real estate agents and planners the dynamics of the product. His lake home was the first home in the United States to ever receive an FHA Rural Home Improvement loan (in 1949).

Shana Siegel, Certified as an Elder Law Attorney by the ABA-accredited National Elder Law Foundation, is a Member of Norris McLaughlin, P.A. in Bridgewater, New Jersey, and focuses her practice in the representation of seniors, persons with special needs and their families in connection with asset preservation, estate planning, supplemental needs trusts, planning for disability and guardianships. Accredited by the Veteran's Administration to represent veterans, Ms. Siegel has been involved in health and long-term care issues for more than 20 years and prior to beginning her legal career, worked as an advocate and regulatory specialist at AARP.

Admitted to practice in New Jersey and New York, Ms. Siegel is a member of the National Academy of Elder Law Attorneys (NAELA) and its Council of Advanced Practitioners (CAP), has been President of NAELA's New Jersey Chapter and is a member of the New Jersey State Bar Association Elder and Disability Law Section and the Life Care Planning Law Firms Association. She is also active with the Long-Term Living Association, several local chambers of commerce and Jewish philanthropies.

Ms. Siegel writes and lectures on elder law, special needs and health law topics, and was a contributing author to the NYSBA's *Guardian Practice in New York State*. She has addressed elder law issues on Montclair TV34 and has also served as an adjunct professor of elder law at Seton Hall Law School.

Ms. Siegel received her B.A., *cum laude*, from Barnard College and her J.D., *cum laude*, from Georgetown University Law Center.

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