



REVERSE MORTGAGE GUIDE

TABLE OF CONTENTS

About This Guide	3
What is a Reverse Mortgage?	4
Choose <i>Your</i> Way of Paying	5
Your Home is Yours	6
3 Reasons to Get a Reverse Mortgage	7
How Much Money Can I Get?	8
Which Reverse Mortgage is Right for Me?	9
Reverse in Real Life	11
How Do I Qualify?	13
What a Reverse Can Do for You	14
What is the Loan Process?	15
Consumer Safeguards	16
Borrower Responsibilities	17
Reverse Mortgage Benefits	17
What is a Qualifying Event?	18
Family & Loved Ones	19
Common Questions	21

ABOUT THIS GUIDE

This guide provides general education on reverse mortgages, as well as information about FHA-insured reverse mortgages.

This guide is made in concert with Smartfi Home Loans, and therefore includes additional information about the Smartfi® Choice reverse mortgage, which is a loan option made available to you through our partnership.

WHY REVERSE? WHY NOW?

“The main reason homeowners choose a reverse mortgage is to pay off other debt. It’s well-known American retirees have limited sources of income. Uncertain Social Security payments combined with depleting pension or 401k plans makes retirement a long-term financial challenge.”

Wall Street Journal, October 2021



Test Your Knowledge

TRUE OR FALSE?

FLIP TO SEE ANSWERS

Statement 1

A reverse mortgage requires a monthly mortgage payment to the lender, just like a traditional mortgage.

Statement 2

A reverse mortgage can be used to purchase a home.

1 - False
A reverse mortgage does not require a monthly mortgage payment, instead it can pay you! The borrower is still responsible for paying property taxes, insurance, and any HOA fees.
2 - True
You can use a reverse mortgage along with the equity in the house you are purchasing, and the proceeds from the sale of your current residence (or other funds), to buy your new home.

WHAT IS A REVERSE MORTGAGE?

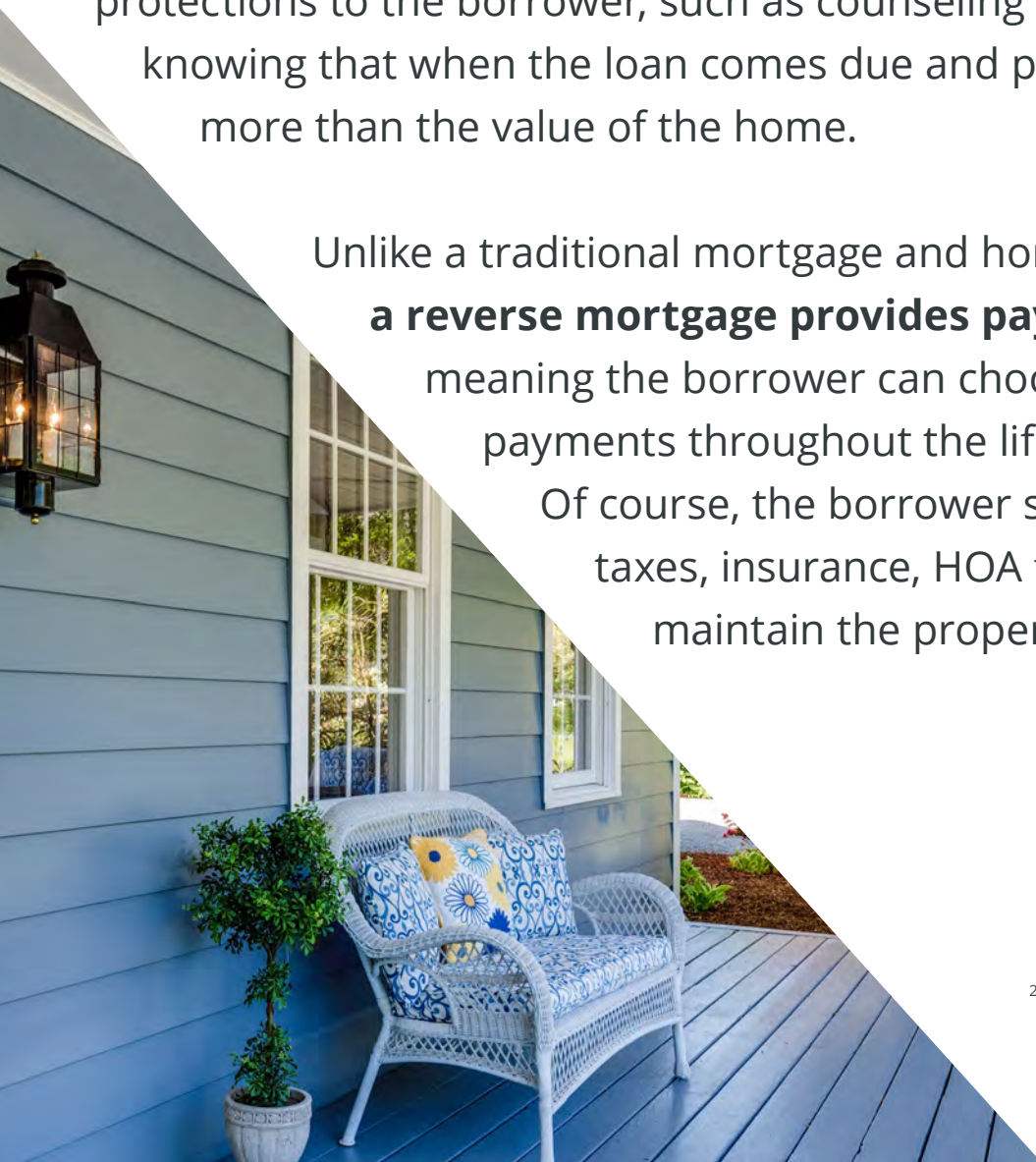
Simply put, a reverse mortgage loan gives older American homeowners a way to turn their home's equity into tax-free² cash. The funds you receive can be used for almost anything, including paying off your existing mortgage (required as part of the loan), eliminating credit card debt, paying medical and other bills, or simply improving your retirement lifestyle.

The most common type of reverse mortgage is a Home Equity Conversion Mortgage, or HECM, and is insured and regulated by the Federal Housing Administration (FHA). The FHA provides certain protections to the borrower, such as counseling and a comfort in knowing that when the loan comes due and payable, you'll never owe more than the value of the home.

Unlike a traditional mortgage and home equity line of credit, **a reverse mortgage provides payment optionality** – meaning the borrower can choose to make mortgage payments throughout the life of the loan, or not.

Of course, the borrower still must pay property taxes, insurance, HOA fees and costs to maintain the property.

²Consult a tax advisor and appropriate government agency for any affect on taxes or government benefits.



CHOOSE YOUR WAY OF PAYING



OPTION 1

Repay the loan balance in one lump sum by selling the home or refinancing the balance after the last borrower leaves the home.

This is a requirement of the loan terms.

After repayment, any remaining equity is yours or the heirs to keep. Anything owed above the home's future market value, will be covered by the non-recourse clause.

OPTION 2

Borrowers may also elect to make a monthly, quarterly or annual repayment throughout the life of the loan, to preserve the home's equity or increase a line of credit, if they have one. You may adjust, stop, or start payments at any time to pay whatever fits in your financial picture.



YOUR HOME IS YOURS CONTINUE TO OWN IT



You may have heard that getting a reverse mortgage means the lender owns your home. Fortunately, that's just a common misconception. In reality, **when you obtain a reverse mortgage, the title to the home remains in your name and possession.** In the rare case that a borrower leaves their home permanently and does not repay the loan, the home is put into a Real Estate Owned (REO), which prepares the home for sale on behalf of the borrower, so that the loan can be repaid.

Our goal is the same as yours – for you to stay in the home you love for as long as you wish.



3 MOST COMMON REASONS TO GET A REVERSE MORTGAGE



Eliminate your monthly mortgage payments*



Get a tax-free² cash lump sum



Access to a line of credit that can grow⁴

Eliminate Monthly Mortgage Payments*

A reverse mortgage does not require regular payments* and if you have an existing mortgage, a reverse will pay it off. That means hundreds or thousands of cash could be freed up each month!

Get Lump Sum Cash

The funds you receive are **tax-free**² and the loan proceeds can be used at your discretion.

Most commonly, funds are used to pay off high-interest debt, making home repairs or modifications or supplementing monthly income.

Have a Line of Credit on Standby⁴

A reverse mortgage line of credit won't be frozen while loan terms are met, so you can count on it when you need it. You can pay down the balance at any time and watch the unused portion of it grow.⁴

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

²Consult a tax advisor and appropriate government agency for any affect on taxes or government benefits.

⁴Not available on all products.

HOW MUCH MONEY CAN I GET?

Great question! The amount you can receive depends upon a few things:

The age of the youngest borrower or non-borrowing spouse

The older the borrower, the more money you can receive

Appraised home value

The higher the appraisal, the more funds you can access^x

^xMax loan amount \$4M.

Current interest rate

The lower the interest rate, the more equity you can cash in on

Here's an example:

With an expected interest rate of 6.75% and an appraised home value of \$900,000, the borrower (based on age) would have access to the following:

Age	Loan Amount	LTV [^]
62	\$289,800	32%
72	\$344,700	38%
82	\$432,900	48%

[^]LTV = loan to value. LTV can change as interest rates fluctuate. HECM variable interest rate with line of credit used (01/24/25) to calculate loan amounts. Rates and loan amounts are subject to change.



Test Your Knowledge

CHOOSE THE FALSE STATEMENT

FLIP TO SEE IF THE STATEMENT IS TRUE OR FALSE

- 1 A reverse mortgage can turn home equity into cash.
- 2 The unused portion of a HECM line of credit can grow.
- 3 The lender owns my home when I have a reverse mortgage.

With a reverse mortgage, the title to the home remains with the borrower as long as you continue to pay property taxes, insurance, HOA fees, maintain the property and otherwise comply with loan terms.

3 - False

The remaining available funds on the line of credit can grow.⁴ You can pay down the loan balance to increase this amount.

2 - True

Your equity is made accessible as a line of credit, lump sum, or monthly payment.⁴

1 - True

⁴Not available on all products.

WHICH REVERSE MORTGAGE IS RIGHT FOR ME?

HECM REVERSE MORTGAGE

A Home Equity Conversion Mortgage (HECM) is **the most common reverse mortgage** and is **insured by the FHA**, making it subject to certain limitations. It requires borrower counseling and mortgage insurance and currently has a lending limit of up to \$1,209,750.³

With a HECM, borrowers can choose to withdraw their funds through a fixed monthly disbursement, a line of credit, a lump sum, or a combination.

REVERSE FOR PURCHASE

With a Reverse Mortgage for Purchase, you can **buy a home using the proceeds from the sale of your current residence, and the equity in the house you are purchasing, to buy your new home.** By doing so, you'll have no monthly mortgage payment* and can enjoy retirement in the home of

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

your dreams.

WHO IS A HECM FOR?

- Borrower whose home value is within the \$1,209,750 lending limit³
- Borrower who wants to have a line of credit or schedule payouts
- Borrower who wants payment optionality

³Lending limit effective 01/01/2025.

CHOICE JUMBO REVERSE

*available through our
partnership with Smartfi®*

The **Smartfi Choice** is a great option for borrowers who want to purchase or refinance, and whose needs or qualifications, don't quite fit the HECM design. With the Smartfi Choice reverse mortgage, borrowers can be **lent up to \$4,000,000**, have **no upfront mortgage insurance** premium, receive **all loan proceeds at close**, and can qualify for the reverse mortgage at **age 55**.¹



WHO IS CHOICE FOR?

- Borrower whose home value is above HECM's \$1,209,750³ lending limit
- Borrower who wants to receive all funds at close
- Borrower who has a non-FHA approved condo
- Borrower who is not yet 62 years old

¹Age requirements differ by product and state. Non-borrowing spouse under 62 allowed on HECM.

³Lending limit effective 01/01/2025



REVERSE IN REAL LIFE

FHA Home Equity Conversion Mortgage

The Borrower

Age **79**

Home Value

\$300,000

Remaining mortgage

None

Practicality and Stability

John lives on social security payments but wanted to **boost his monthly income** and **increase his quality of life** for retirement. His home is paid off and he was ready to utilize his equity to meet his need.

John chose a **HECM** to receive monthly payments from his line of credit



REVERSE IN REAL LIFE

Smartfi® Choice Jumbo Mortgage

available through our partnership with Smartfi Home Loans

The Borrowers

Ages **60 & 61**

Home Value
\$1,500,000

New mortgage balance
\$450,000

Living their Dream

Susan and Mike enjoyed their spacious property but were ready to **right-size and retire along the coast**. They wanted to keep as much cash on hand as they could after **purchasing their dream home** so they could **make home upgrades** and be ready for any other expenses.

Susan and Mike chose a **Choice for Purchase** to buy their dream retirement home and have no monthly mortgage payment*

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.



HOW DO I QUALIFY?

To qualify for a reverse mortgage, the following must be met:

- All borrowers are at least age 55¹
- The subject property is in the borrower's name and is their primary residence (*living in it consecutively for six months and a day per year*)
- There is sufficient equity in the home
- Borrower passes product specific residual income and credit requirements
- Borrower completes reverse mortgage counseling

¹Age requirements differ by product and state. Non-borrowing spouse under 62 allowed on HECM.

WHAT A REVERSE CAN DO FOR YOU

Save. Spend. Enjoy.

Increase Cash Flow

- Get rid of your required monthly mortgage payments*
- Supplement your income

Provide Lump Sum Cash Upfront

- Home repairs and improvements
- Eliminate high-interest credit card debt
- Means for in-home care needs

Be Your Financial Safety Net

- Maintain a growing line of credit for future needs⁴
- Avoid taxable withdrawals from your 401(k) or other retirement accounts by using tax-free² reverse mortgage proceeds
- Cover property taxes and insurance

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

²Consult a tax advisor and appropriate government agency for any affect on taxes or government benefits.

⁴Not available on all products.



Test Your Knowledge

What is a reason to get a reverse mortgage over a home equity line of credit (HELOC)?

FLIP TO SEE IF THE REASONS ARE TRUE OR FALSE

- 1** A HECM line of credit will not be frozen while loan terms are met.
- 2** Payments to a reverse mortgage line of credit are optional.

2 - True
Unlike a HELOC, you will not be required to make payments* until a qualifying event occurs.

1 - True
Access to your line of credit won't be frozen at the lender's whim.

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

WHAT IS THE LOAN PROCESS?

Step 1 – Make an initial application

Work with your mortgage broker to review your goals and make an initial application to determine what loan options are best for you.

Step 2 – Attend reverse mortgage counseling

To ensure you have the knowledge and tools to make an informed decision, you will need to complete a HUD-approved counseling session, either over the phone or in-person.

Step 3 – Submit your completed application

Once you have your counseling certification and required documentation together, you will submit everything to your mortgage broker.

Step 4 – Appraisal and underwriting

An appraisal of your home will be completed (HECMs require it be done by an FHA-approved appraiser). The appraisal and all other documentation will then be sent to underwriting for approval.

Step 5 – Closing and funding

Upon underwriting approval, your final loan documents will be delivered to you and a notary will assist in signing. Once your closing documents are signed (and, if applicable, your three-day rescission period is over), the funds will be released to you.

A rescission period is a time when you can cancel the loan with no penalty.

CONSUMER SAFEGUARDS



COUNSELING

All HECM and Smartfi® Choice reverse mortgage applicants are **required to undergo third-party counseling** so that you understand all your options and can feel completely comfortable with the process.

NO PRE-PAYMENT PENALTY

You can choose to **repay the loan at any time**, without incurring any additional costs.

NON-RECOURSE LOAN

A non-recourse loan **protects you from being held liable for the loan beyond the value of the home**. Your financial obligation to the lender will not be more than the home's value when the reverse mortgage loan comes due. Both the FHA HECM and Smartfi Choice have this great feature.

BORROWER RESPONSIBILITIES



TAXES AND INSURANCE

You are required to remain current on your property taxes, home insurance, and if applicable, HOA fees.



PROPERTY MAINTENANCE

You are responsible for completing mandatory repairs and basic home maintenance during the life of the loan.



OCCUPANCY REQUIREMENTS

The home must be your principal residence, meaning you must live in it consecutively for six months and a day each year.

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

²Consult a tax advisor and appropriate government agency for any affect on taxes or government benefits.

⁴Not available on all products.

REVERSE MORTGAGE BENEFITS

Eliminates required monthly mortgage payments*

Allows you to **stay in your home** and in possession of your house

Gives you access to **tax-free² cash**

Not owing more than your home's value when the loan is due

Is a **non-recourse loan**

Gives you freedom to spend your cash as you choose

Gives your heirs the option to purchase the home after you pass

Only pay interest **on funds borrowed**

Unused line of credit grows over time⁴

Payments made throughout the life of the loan **increase equity and pay down the balance**



WHAT IS A QUALIFYING EVENT?

A qualifying event that causes the loan to become due is any of the following:

- If the borrower fails to meet their obligations under the mortgage, such as paying property taxes and insurance and maintaining the property
- When the last surviving borrower or eligible non-borrowing spouse:
 - Passes away
 - Sells their home
 - No longer lives in the home as their primary residence

Is either living in another residence for more than 6 consecutive months or in a healthcare facility for more than 12 consecutive months. Healthcare facilities include hospitals, rehabilitation centers, nursing homes, and assisted living facilities.





FAMILY & LOVED ONES

A reverse mortgage can help care for your loved ones by providing funds to cover the cost of modifying or upgrading their home, paying for in-home care, taking care of other health costs, providing additional income, or even funding the cost of checking off bucket list items.

“The smile they have on their faces, with the home improvements they are now able to pursue and the medical care they can afford, is just breathtaking.”

Daughter of Mary & Alvin



FAMILY RESPONSIBILITIES

The loan becomes due when a qualifying event occurs, typically when the last borrower leaves the home. If you're the heir to the home, **you have a right to sell the home and repay the loan**, or to **keep the home and use other assets**, or **refinance, to repay the existing loan**. After loan repayment (including interest and fees), any **leftover equity is yours to keep**. The lender will never obtain the title, as long as the existing loan is paid in full.

COMMON QUESTIONS

Does the bank own my home or do I?

You do! With a reverse mortgage, the title to the home remains with the borrower as long as you continue to pay property taxes, insurance, HOA fees, maintain the property and otherwise comply with loan terms.



How much can I borrow?

Loan proceeds are determined by the youngest borrower's or non-borrowing spouse's age¹, the appraised value, product type, and the corresponding interest rate. To estimate how much you are eligible for, get in touch!

¹Age requirements differ by product and state. Non-borrowing spouse under 62 allowed on HECM.

What if I have a mortgage?

If you have a mortgage, the reverse will pay off your existing mortgage and then give you the remaining proceeds. In fact, many borrowers use a reverse mortgage for that purpose – to eliminate required monthly mortgage payments.*

*Borrower must pay property taxes, insurance, HOA fees and maintain the property.



Does a reverse mortgage require monthly payments?

A reverse mortgage does not require monthly mortgage payments, but it does require you to pay property taxes and insurance, any HOA fees, and pay for general upkeep to keep the home in good condition.



Will my children lose their inheritance?

Your children have options when it comes to your home.

Typically, the loan is repaid through the sale of the home. Your heirs can choose to sell the home, pay the loan and receive any remaining equity; or they can purchase/refinance the home with a new (traditional) mortgage, potentially at less than the appraised value. It's important that the loan servicer is contacted to understand all available options.

What options do I have to access the equity in my home through a reverse mortgage?



You can access the equity in your home through a lump sum, monthly payments, a line of credit⁴, or a combination of any of these.

⁴Not available on all products.



Do I stop receiving access to funds if I outlive the equity in my home?

No, if you outlive the equity in your home, you will continue to receive your scheduled disbursements.



Test Your Knowledge

TRUE OR FALSE?

[FLIP TO SEE ANSWERS](#)

Statement 1

Reverse mortgages are designed for seniors.

Statement 2

HECMs are not insured.

Statement 3

Lenders can ask to be repaid by my other assets when the loan comes due.

Reverse mortgages are non-recourse loans, so the lender won't require you to pay back more than the value of the home.

3 - False

HECMs are insured by the FHA.

2 - False

to qualify.

Borrowers must be at least 55¹

1 - True

¹Age requirements differ by product and state. Non-borrowing spouse under 62 allowed on HECM.

START YOUR REVERSE JOURNEY TODAY



This material has not been reviewed, approved or issued by HUD, FHA or any government agency. The company is not affiliated with or acting on behalf of or at the direction of HUD/FHA or any other government agency.

Charges such as an origination fee, mortgage insurance premiums, closing costs and/or servicing fees, if applicable, may be assessed and will be added to the loan balance. As long as you comply with the terms of the loan, you retain title until you sell or transfer the property, and, therefore, you are responsible for paying property taxes, insurance and maintenance. Failing to pay these amounts may cause the loan to become immediately due and/or subject to the property to a tax lien, other encumbrance, or foreclosure. The loan balance grows over time, and interest is added to that balance.

Interest on a reverse mortgage is not deductible from your income tax until you repay all or part of the interest on the loan. Although the loan is non-recourse, at the maturity of the loan, the lender will have a claim against your property and you or your heirs may need to sell the property in order to repay the loan or use other assets to repay the loan in order to retain the property. The loan becomes due and payable upon default to comply with loan terms or when the last borrower leaves the home.

Not all products and options are available in all states. Terms subject to change without notice. Certain conditions and fees apply. This is not a loan commitment. All loans are subject to approval.