

# **Carol Bertocchini, CPA**

## ***Specializing in Reverse Mortgages***

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**Presents:**

## **The HUD/FHA Home Equity Conversion Mortgage (HECM)**



# **A Little Background....**

**Worked as CFO for several Silicon Valley Startups (including wine.com)**

**Co-Founded BEAR Data Solutions, Inc. – a global provider of technology products and services ten years ago (\$100M +)**

**4<sup>rd</sup> Year at Security One Lending**



# **Why change?**

**Tired of the “Corporate World”!**

**Wanted to do something to help others**

**Wanted the flexibility to spend more time  
with my family**



**With a Reverse Mortgage,  
the bank takes your house  
at the end?**

**True or False**



# False



**Reverse Mortgages are only for desperate “seniors”, or for the “house rich and cash poor”**

**True or False**



# False



**You must be debt-free to  
qualify for a Reverse  
Mortgage.**

**True or False**





# False



**When a Reverse Mortgage comes due, the bank sells the house.**

**True or False**



# False



# What is a Reverse Mortgage?

**A Reverse Mortgage is a unique loan that enables homeowners over 62 to convert part of the equity in their homes into income without having to sell the home, give up title, or take on monthly mortgage payments.**



# How Do I Qualify For a Reverse Mortgage?

- All Individuals on title must be 62 years or older
- Your home must be a 1-4 family residence
- Most condominiums are OK
- Must be your primary residence



# **More changes coming in 2014.....**

- As more than 10% of Reverse Mortgages are currently in default more changes regarding “credit qualifications” are expected.**



# How Much Money Can I Receive?

- **Benefits are calculated by :**
  - Appraised value of your home or FHA maximum lending limit (\$625,500), whichever is less
  - Age of the youngest Borrower
  - Current interest rates



# Types of Reverse Mortgages

- **Adjustable Rate (LOC)** – you can take a portion of proceeds up front (or not) and the rest stays in a Line of Credit. Interest Rates can adjust monthly.
- **Adjustable Rate (Tenure)** – you can chose to receive a set monthly amount for the rest of your life.
- **Fixed Rate** – you must take all the proceeds up front – we would only do this is you had a large mortgage to pay off.





# Repaying The Loan:

- **Does not require repayment until:**
  - **Borrower(s) move**
  - **Borrower(s) sell**
  - **Borrower(s) pass away**
- **No penalty for early payment**
- **Non-recourse loan**
- **You or heirs keep remaining equity**



# Consumer Safeguards

- **FHA/HUD Insured Program**
- **Limitation on Fees**
- **Comprehensive Disclosures**
- **Independent Counseling**
- **Standard & Capped Interest Rates**
- **No Prepayment Penalty**
- **3 Day “Right of Rescission”**
- **Non-recourse**



# Borrower's Responsibility

- **Keep property taxes current**
- **Maintain homeowners insurance**
- **Maintain property in good condition**
- **Utilize home as primary residence**



# PROS

- 1. Guaranteed Source of Income**
- 2. Choice of Monthly Payments, LOC, or Lump Sum**
- 3. Ability to stay in your home (until you pass away, sell, or move out for >12 months).**
- 4. You maintain the benefits of home ownership**
- 5. Creates potential to maintain financial independence**



# CONS

1. Can't get all equity out – usually 50-65% of value up to \$625,500 maximum principal value.
2. Still required to pay taxes and insurance and upkeep on home
3. May reduce inheritance to heirs



# Average Age

**Historically, the average age for a person doing reverse mortgages has been 73.**

**This is continuing to fall.**

**15% growth in the 62-64 age range in the last decade.**



# Counseling

**Everyone has to go through comprehensive FHA approved counseling because it's such a complicated instrument.**

**Also, you have to consider – can you afford the upkeep and taxes and insurance on your property? If it's not affordable for long term this is not something you should do.**



# **NO INCOME REQUIREMENTS**

**For most people - we are seeing that the equity in your home can be looked at as another portion of your retirement portfolio that you can access even after your income has dropped off the map.**





# Closing Comments

**If you have a current mortgage it has to be paid off from the Reverse Mortgage proceeds.**

**Like any type of loan, when considering a reverse mortgage, it is very important to seek the best available interest rates with the lowest closing costs, and a local consultant who you can meet with face to face versus the out of state telemarketers just trying to sell a product.**



# Final Closing Comments

**10,000 Baby Boomers turn 65 every day.....**

**Can also be used to purchase a home!**

**QUESTIONS?**

