



TOP 10 REVERSE MORTGAGE LOAN FACTS

In the early 1960s, when reverse mortgage loans were first introduced, they did not have any government programs backing it. It wasn't until 1983 when the Senate approved the proposal of having the Federal Housing Administration (FHA) to insure reverse mortgages. The Federal Housing Administration has been guaranteeing HECM mortgages ever since it was passed into law in 1988 by President Reagan. Since then FHA and HUD have made many amendments to the program to improve consumer protections.

It is our job to give you the best education available with the most up-to-date facts so you can make a bright and educated decision. Our Reverse Mortgage Planners are well trained and very experienced with a variety of senior, real estate, and retirement issues so you can feel much more secure about making a decision with one of your most valuable assets: your home. Some of the most common myths that we hear are below.

Most but not all reverse mortgages are Home Equity Conversion Mortgage – HECMs, and are only available through an FHA-approved lender. This advertisement talks about HECM loans only.

#1 MYTH: I could lose my house and be forced to move.

FACT: As long as all loan terms are met, you cannot be forced to sell the home and move. Terms include living in the house as your primary residence, maintaining the home, and paying home expenses such as taxes and insurance. Some circumstances will cause the loan to mature and the balance to become due and payable. Credit is subject to age, property and some limited debt qualifications. Program rates, fees, terms, and conditions are not available in all states and subject to change

#2 MYTH: Your home will be taken away when you pass away, and the family loses the right to the property.

FACT: When you permanently move out of the home, whether you sell it or pass away, neither you, your estate nor your heirs are responsible for paying the deficit if the balance owed on your reverse mortgage exceeds the home value. However, should your heirs want to keep your home, they may purchase it for 95% of the current appraised value. *

#3 MYTH: Your house must be debt-free to qualify for a reverse mortgage.

FACT: The amount of money you qualify for a reverse mortgage varies based on the down payment you will need to bring to closing (ranges from 40-65%), which will be determined based on your age, or age of non-borrowing spouse, if applicable, current interest rates and the sales price (or appraised value, whichever is less) of the home you are buying. You must live in the house as your primary residence (live there 6+ months per year). Some income, property, and credit qualifications apply to ensure you can pay taxes and insurance and maintain the home.

#4 MYTH: The safest thing is a house "free and clear."

FACT: In the event of an extended nursing home stay or a lawsuit, all your home equity can be lost that you spent your whole life to create. A reverse mortgage loan can unlock that equity and allow you to manage it for the benefit of your family properly. Talk to your financial advisor about how a reverse mortgage can help you do this, including helping you pay for longer-term expenses such as medical and nursing home expenses.

#5 MYTH: I will be giving up the deed to my own home, and I will not own it anymore.

FACT: The deed is still in your name so you can move whenever you want. Most reverse mortgages are federally insured through the FHA. As long as you pay your property taxes, homeowner's insurance and maintain your home you cannot be foreclosed on. We must honor this commitment for life or as long as you live in your home. However, you are allowed to change your mind and sell the house whenever you want if you wish to move to warmer climates, a right size home, or closer to your children whatever your choice may be. Only you will make the decision, not the lender or the government.

#6 MYTH: A Reverse mortgage doesn't offer anything different from other loans but costs more.

FACT: There have been changes in FHA's reverse mortgage program in recent years that reduced a borrower's costs. While any reverse mortgage is still more expensive than a traditional mortgage, they may provide you with more options than a conventional mortgage, such as no mortgage payments, (borrower is still responsible for paying taxes and insurance and maintaining the home), and an increasing line of credit option on unused funds.

#7 MYTH: My children could get stuck with a big mortgage if I live too long.

FACT: Since this is a non-recourse loan even if your home value decreases, you and your children can never be liable for any amount over the value of the home* because the loan is guaranteed by the Federal Housing Administration (FHA) Mortgage Insurance Fund (FHA/HUD)

#8 MYTH: A reverse mortgage is a government benefit.

FACT: A reverse mortgage is a non-recourse loan because of the guarantees authorized by the government. Mortgage Insurance Premiums (MIP) paid by the borrower's fund this FHA program. The taxpayers do not support the program; it is made possible by FHA, who monitors lenders ensuring that consumers are treated fairly and equitably.

Note: While Fairway as the lender does loan the money for the reverse mortgage loan, it is not affiliated in any way with any government agencies. These materials are not from HUD or FHA and were not approved by HUD or a government agency.

#9 MYTH: A reverse mortgage loan should only be considered as a loan of last resort.

FACT: Many folks think a reverse mortgage can only be used when all other accounts and options are exhausted. While it is a great loan to add cash flow for a borrower 62 and better that has fallen on hard times (including, potentially foreclosure situations**), it should also be used earlier in retirement to avoid future problems by keeping the home safe with the retiree "aging in place."

#10 MYTH: To qualify for a reverse mortgage, both spouses need to be 62+.

FACT: Only one borrower(s) must be 62 or better except in Texas where both spouses need to be at least 62. The home must be a primary residence (live there 6+ months per year) and have significant equity or owned outright to qualify. The property must be a single family home, 2-to 4-unit dwelling or FHA-approved condo. Borrower(s) must receive a reverse mortgage counseling certification from a HUD-approved counseling agency.

*There are some circumstances that will cause the loan to mature and the balance to become due and payable. Borrower is still responsible for paying property taxes and insurance and maintaining the home. Credit subject to age, property and some limited debt qualifications. Program rates, fees, terms and conditions are not available in all states and subject to change. **This advertisement does not constitute legal advice. Please consult a legal advisor regarding your specific situation.



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