Reverse Mortgage Planning
for Financial Advisors

" IF ALL FINANCIAL PLANNERS EDUCATE THEMSELVES REGARDING HOW THIS PROGRAM MAY FIT INTO OUR CLIENTS OVERALL PLAN-WE CAN THAN DETERMINE IF THIS MORTGAGE PRODUCT CAN HELP OUR CLIENTS LIVE A MORE COMFORTABLE RETIREMENT"

CFP - LONG ISLAND, NY

Topics Covered Today

Home Equity Conversion Mortgage Session:

- Overview of reverse mortgage loan program
- 3 Case Studies
- Closing Comments

REVERSE MORTGAGE H.E.C.M.

Age requirement is 62
No Income or Credit requirements
Max claim amount (home value) is $625,500
1-4 family homes, approved condo's, no co-ops
Loan amount based upon- home value, age, program
Ownership options - jointly, solely, life estate, revocable or irrevocable trust
Standard fixed, standard l.o.c. / SAVER fixed, SAVER l.o.c.
Lump sum, l.o.c., life payment, term certain payment
3 requirements - R.E. taxes, HOI, & home kept in safe condition
H.E.C.M. purchase loan
Mandatory Counseling (face to face or phone)

Case Study #1
Home Health Care

- Home put in irrevocable trust 07/15/2002
- Trust assets included investment accounts & I.R.A.'s
- 07/2012 Trust assets are down to $5,000
- 24/7 H.H.A costs of $200 per day
- Home needs new roof & windows ($25,000)
- Does not qualify for H.E.L.O.C. (trust ownership)
- MV: $550,000, Age: 90 – H.E.C.M. net benefit $410,000
- Fixed Rate 4.50%
- Trustee (Son of Homeowner) controls trust account assets (proceeds from RM)

Case Study #2
Estate Planning

- Bob & Mary are both age 68 & have 2 children who are professionals
- Net Worth of approximately $4,000,000 (mainly I.R.A.'s)
- Children are well off and want them to live comfortably in retirement
- H.E.C.M. line of credit to pay annual premium for 2nd to Die life insurance policy
- Tax Advantaged strategy – Preserve Qualified Assets
- Line of Credit growth of .50bps greater than interest rate
- Access to L.O.C. throughout retirement years

Case Study #3
Line of Credit

- Ethel has 2 children & is retired
- Monthly Income from investment portfolio has decreased
- Monthly expenses has increased
- Short $900 per month to cover all living expenses
- L.O.C.-SAVER PROGRAM
- Provides $900 per month (can always change amount)
- L.O.C. growth rate of 3.00% * as of 10/01/12
- Children understand Mom's needs & will not have to take on the monthly obligation to assist Mom ($900 per month)
- Turned down for H.E.L.O.C. (income requirement)

Protection for Homeowners
H.E.C.M. Mandatory Counseling

- Counselor covers the following:
- Financial implications of a HECM
- Options other than a HECM
- Advantages and disadvantages of a HECM
- Alternatives and options regarding each payment plan
- Explanation of the typical costs required to obtain a loan
- Disclosure information
- Amortization schedules for different programs

Reverse Mortgage Overview

- The Bank will NOT take title to the property in exchange for lending money to the borrower
- There is NO income documentation needed (as of 10/2012)
- The homeowners remain responsible for property taxes, homeowner's insurance, and maintenance of the home, but there are NO required monthly mortgage payments (interest and MIP accrues on the portion of the loan amount disbursed)
- Government benefits, such as Social Security and Medicare, generally will NOT be affected (needs-based benefits, such as Medicaid and Supplemental Security Income (SSI), may be impacted.

Contact Us

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Frank Melia, CMPS – Bio

*CMPS -Certified Mortgage Planner
*Co-Authored a chapter of
"62 Senior Moments" in 2008
*20+ years Lending Experience
*Appears regularly on
"Ask the Lawyer with Mike Connors"
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All Loan offered by: Vanguard Funding – Frank Melia, CMPS – Manager Vanguard Funding
Vanguard Funding Offers Purchase, Refinance, & Reverse Mortgage Loan Programs – Contact Frank directly at 516-208-4238