

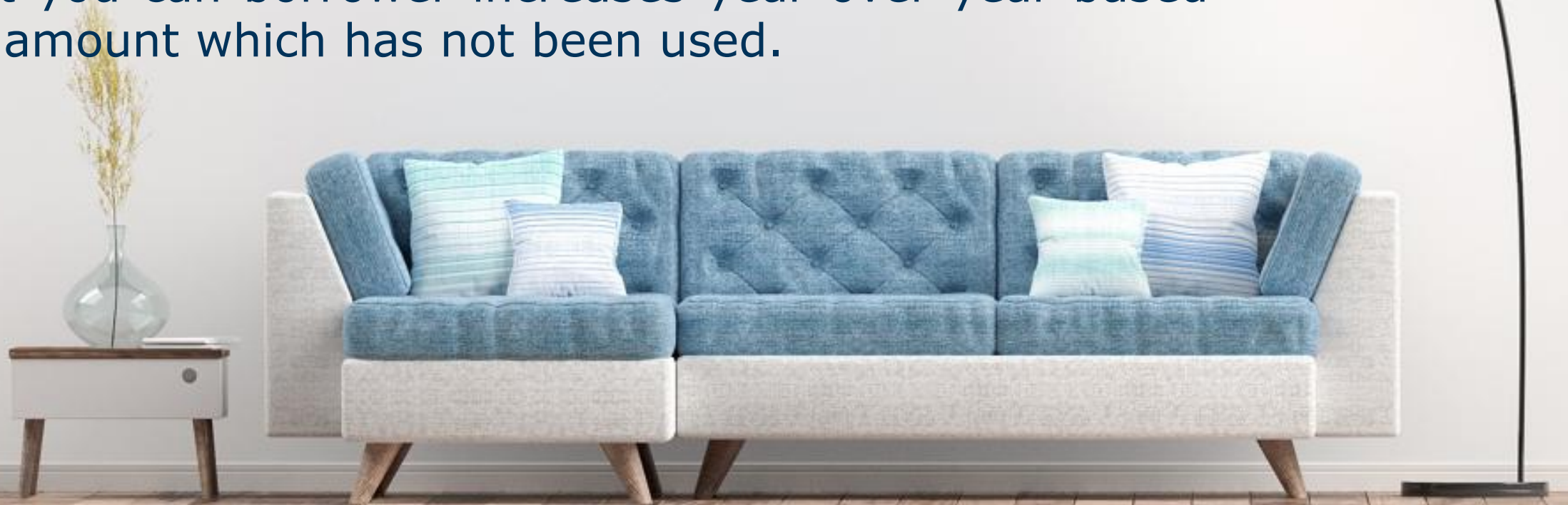
REVERSE MORTGAGES

Equity Line of Credit



What is a Reverse Equity Line of Credit ?

A loan in which the borrower can access the agreed upon loan amount when they need it. What is unique about a **Reverse Equity Line** is that it will grow at an estimated annual rate between 3% and 5%. Which means, the amount you can borrow increases year over year based on the amount which has not been used.



How is that possible?

FACTS

- HECM Equity products have built in growth
- Designed to increase as the home value increases over decades
- Loan is Fully Insured (FHA)
- Year over year compounding of the available balance will increase
- Will continue as long as you have the loan and or own the home

Best Planning Strategy For Seniors

Why is it helpful?

An alternative to using savings when life happens

Health Care Costs



Market Corrections



- Access to more cash
- Grows as you get older
- Alternative to using savings

Living Longer Life



Death of Spouse



Loss of Income



Benefits over Traditional Equity Line



Traditional Equity

REVERSE Equity

Why choose a HECM over a HELOC?	HECM	HELOC
You still own your home	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
No monthly payments as long as you meet loan obligations*	<input checked="" type="checkbox"/>	
The line of credit cannot be frozen, reduced or revoked	<input checked="" type="checkbox"/>	
Unused line of credit grows over time	<input checked="" type="checkbox"/>	
The loan does not need to be repaid until the house is sold or is no longer your primary residence	<input checked="" type="checkbox"/>	
No pre-payment penalties or annual fees	<input checked="" type="checkbox"/>	
Is a non-recourse loan	<input checked="" type="checkbox"/>	

Note: Mortgage Insurance is required on HECM loans but not on HomeSafe product. The insurance act like a "put" on the future value of home. Home value today, ensures the client will have access to the equity based on todays value and future increase of equity line over time.



Traditional HECM (Free and Clear Property)



Scenario Details

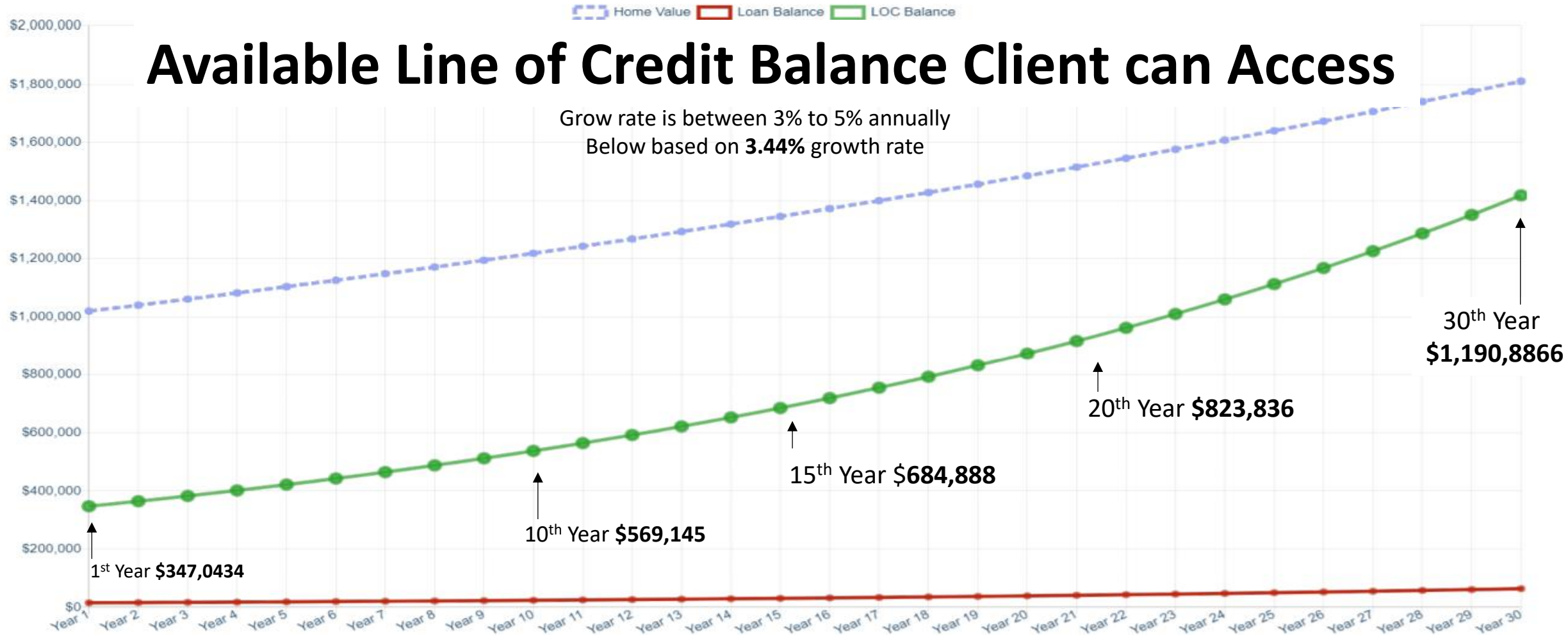
- Home Value: \$935,000
- Loan Amount: \$ 80,702
- Type: HECM LIBOR
- Margin: 2.75%
- Initial Rate: $3.16\% + .50 = 3.66\%$
- Expected Rate: 3.44%
- Age: 65 Yrs.

	HELOC	HECM-LOC
Rate Caps	18%	9%
Growth	No	Yes
Government Insured	No	Yes
Can it be Reduced by Lender?	Yes	No
Can it be Frozen by Lender?	Yes	No
Mo. PMT Required?	Yes	No

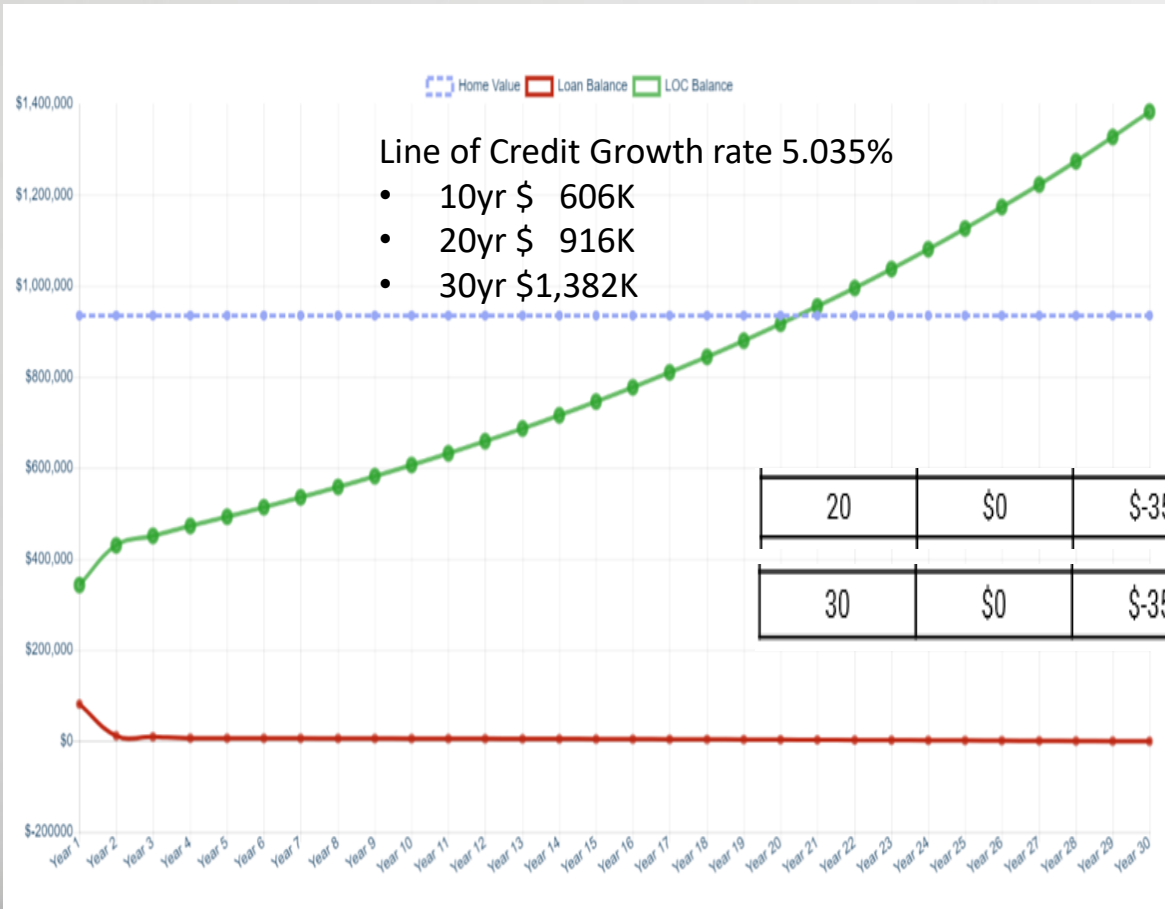
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Financial Planning - Growth of Equity Line



Case Study- Pay off Credit Cards (Step 1)



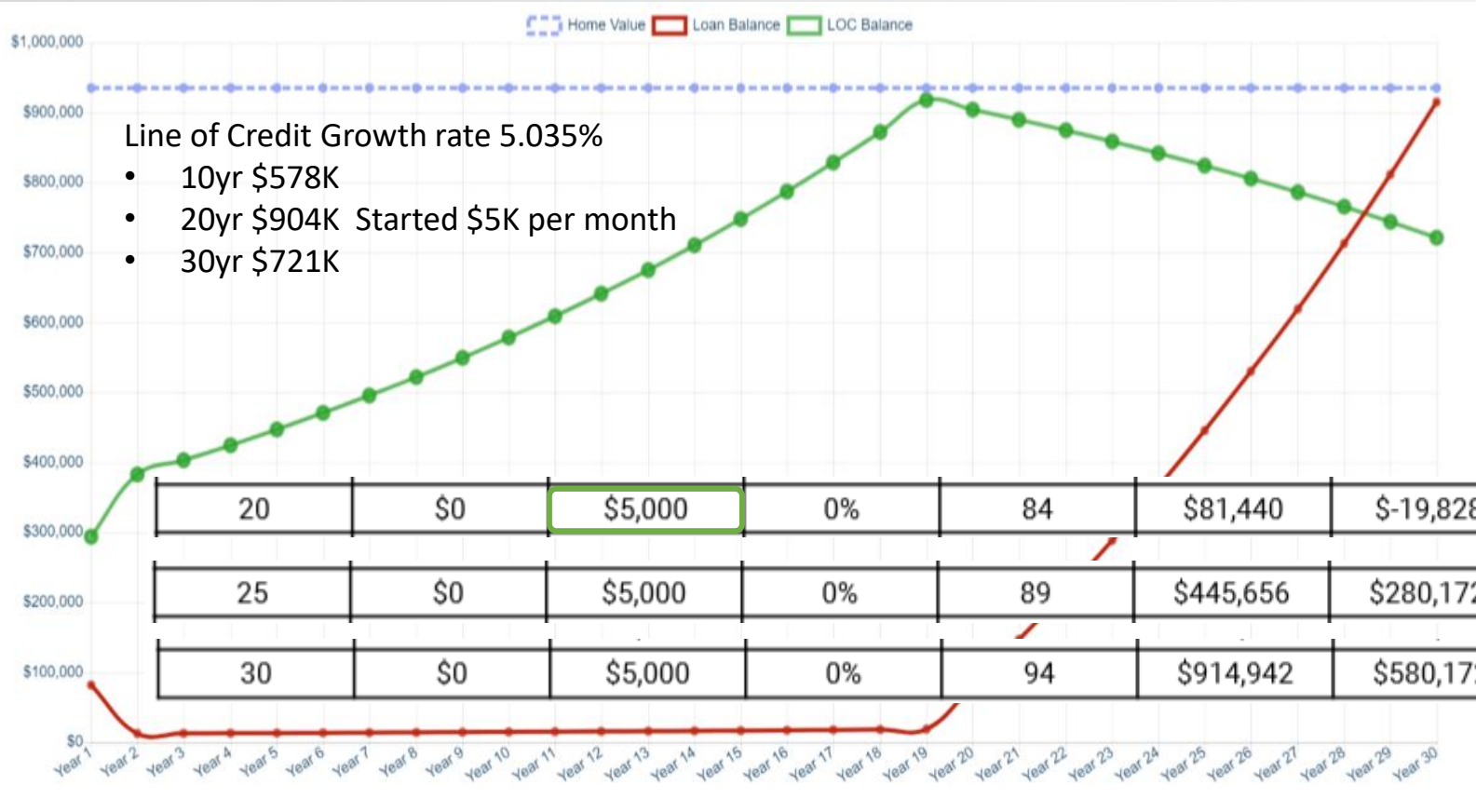
Amortization Schedule:

Loan Year	Annual Payments or Withdrawals	Monthly Payments of Withdrawals	Initial Rate Adjustments	Age	Loan Balance	Cumulative Annual Payments	Line Of Credit	Home Value	Home Appreciation %	Net Equity
1	\$0	-\$224	0%	65	\$81,354	-\$2,688	\$342,876	\$935,000	0	\$853,646
2	-\$70,000	\$0	0%	66	\$11,827	-\$72,688	\$430,040	\$935,000	0	\$923,173
3	\$0	-\$250	0%	67	\$9,261	-\$75,688	\$450,973	\$935,000	0	\$925,739
4	\$0	-\$250	0%	68	\$6,588	-\$78,688	\$472,777	\$935,000	0	\$928,412
5	\$0	-\$35	0%	69	\$6,432	-\$79,108	\$492,859	\$935,000	0	\$928,568
6	\$0	-\$35	0%	70	\$6,273	-\$79,528	\$513,777	\$935,000	0	\$928,727
7	\$0	-\$35	0%	71	\$6,105	-\$79,948	\$535,564	\$935,000	0	\$928,895
8	\$0	-\$35	0%	72	\$5,931	-\$80,368	\$558,257	\$935,000	0	\$929,069
9	\$0	-\$35	0%	73	\$5,751	-\$80,788	\$581,893	\$935,000	0	\$929,249
10	\$0	-\$35	0%	74	\$5,561	-\$81,208	\$606,511	\$935,000	0	\$929,439

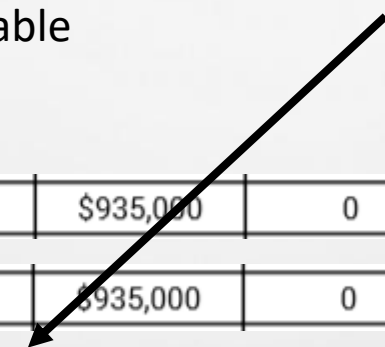
20	\$0	-\$35	0%	84	\$3,182	-\$85,408	\$916,627	\$935,000	0	\$931,818
30	\$0	-\$35	0%	94	-\$393	-\$89,608	\$1,382,647	\$935,000	0	\$935,393

- Received \$60K to pay off credit cards from Reverse Equity Line
- Client sells a property and uses \$70K to reduce principle of Loan
- Equity Line grows at faster rates since \$70K more available

Case Study- Use as Income at 84 (Step 2)



- Borrowers starts using equity line and taking \$5K per month at 84 years old (\$60K per year)
- Access to lots of additional equity left after 7 years or age 90. \$721K available



Which HECM product might be suggested based on the circumstances listed below?

In the following circumstance, the borrower wants to:	And the solution is the:
Supplement income due to expenses that exceed his or her monthly budgeted amount	HECM Adjustable with Tenure Payments
Upsize or downsize a suitable retirement home	HECM Purchase Product
Erase mortgage principal and interest payments	HECM Fixed Full Draw
Ensure access to their home in later years	HECM Adjustable with Growing Line of Credit
Equity buyout due to a divorce settlement	HECM Fixed Full Draw
Cover tax and insurance payments with the HECM due to lapse in payment	HECM Adjustable with Revolving Line of Credit
Defer social security until age 70	HECM Adjustable with Term Payment
Avoid selling investment accounts in a down market	HECM Adjustable with Standby Line of Credit
Fund life or long term care insurance	HECM Adjustable with Revolving Line of Credit
Provide a "living inheritance"	HECM Adjustable with Combination
Increase liquidity while retaining retirement assets	HECM Adjustable with Standby Line of Credit

QUESTIONS?

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