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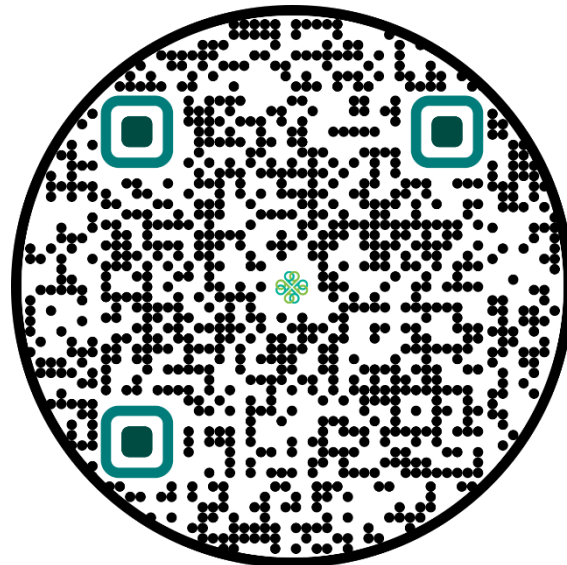
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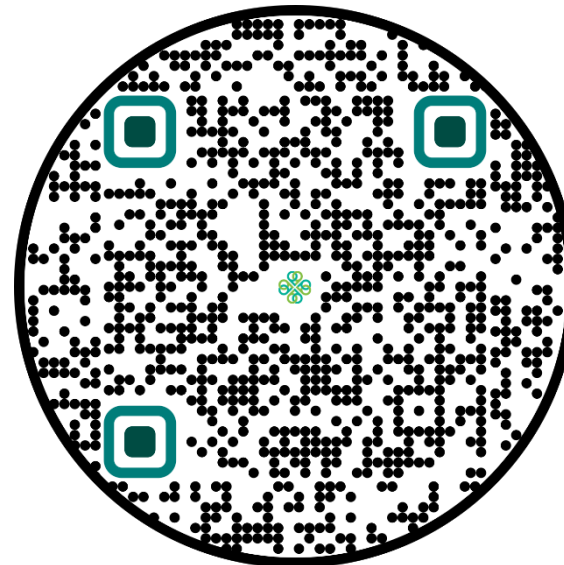


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Financial Planner's Guide to Reverse Mortgages

Plaza's Loan Origination Partners and Financial Planners

January 2025

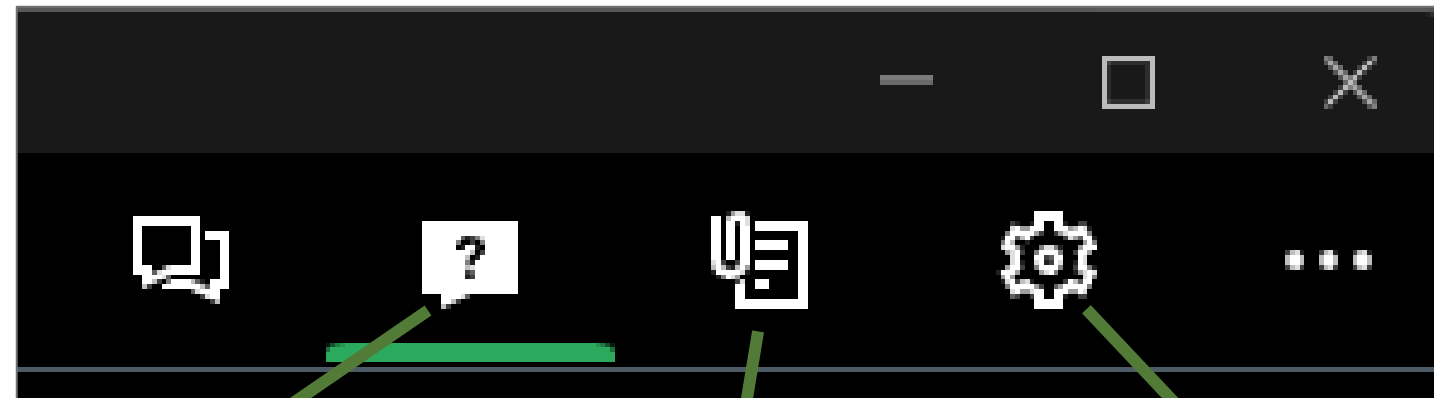
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Presenter



Mark Reeve

VP, Reverse Mortgage Division

Plaza Home Mortgage

Agenda

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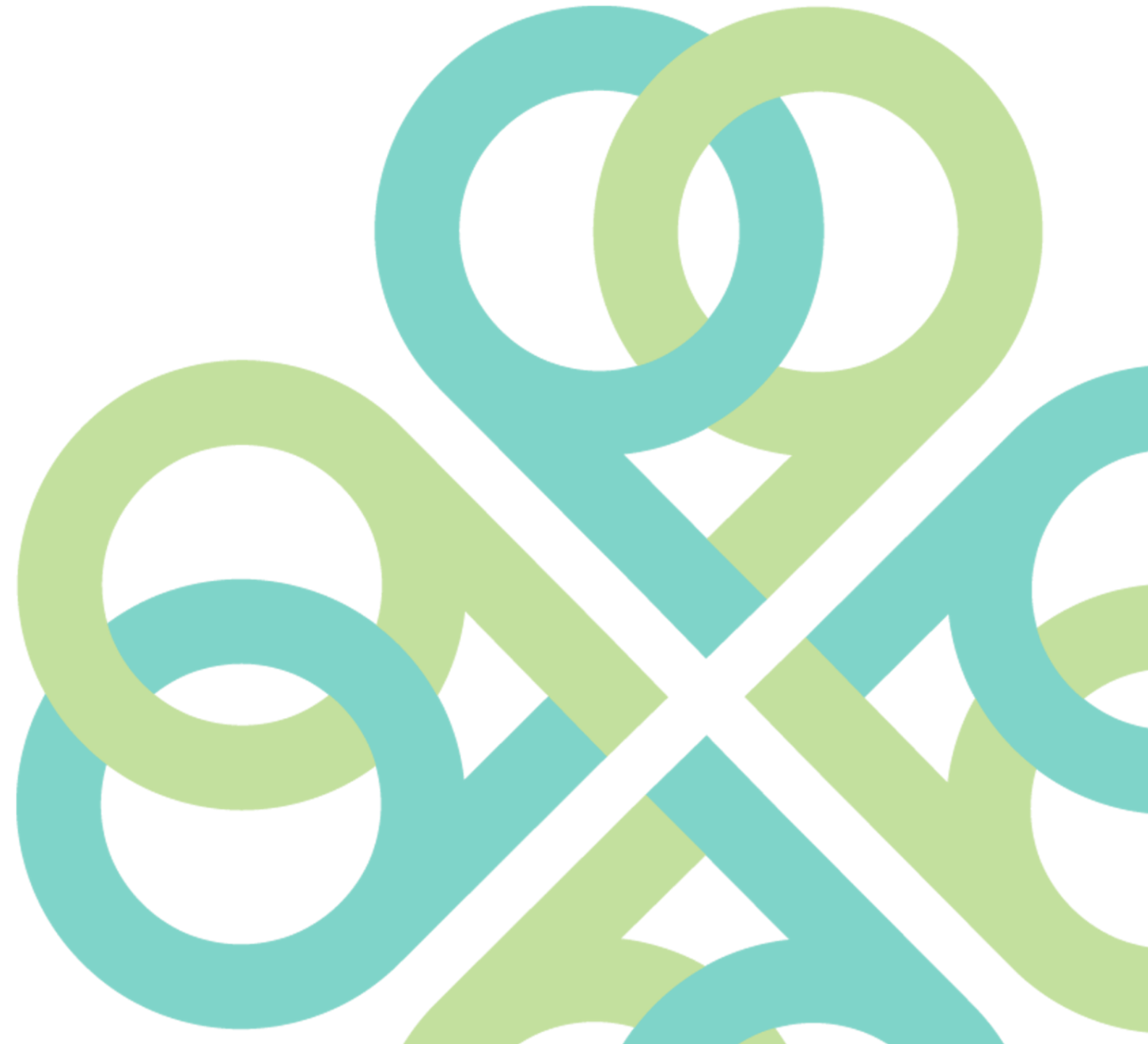
Introduction to Reverse Mortgages

Examples

Addressing Family and Estate Concerns

Resources

Introduction to Reverse Mortgages



What is a Reverse Mortgage?



A HECM (Home Equity Conversion Mortgage) is a special type of mortgage that enables **homeowners aged 62 or older to tap into the equity in their home.**



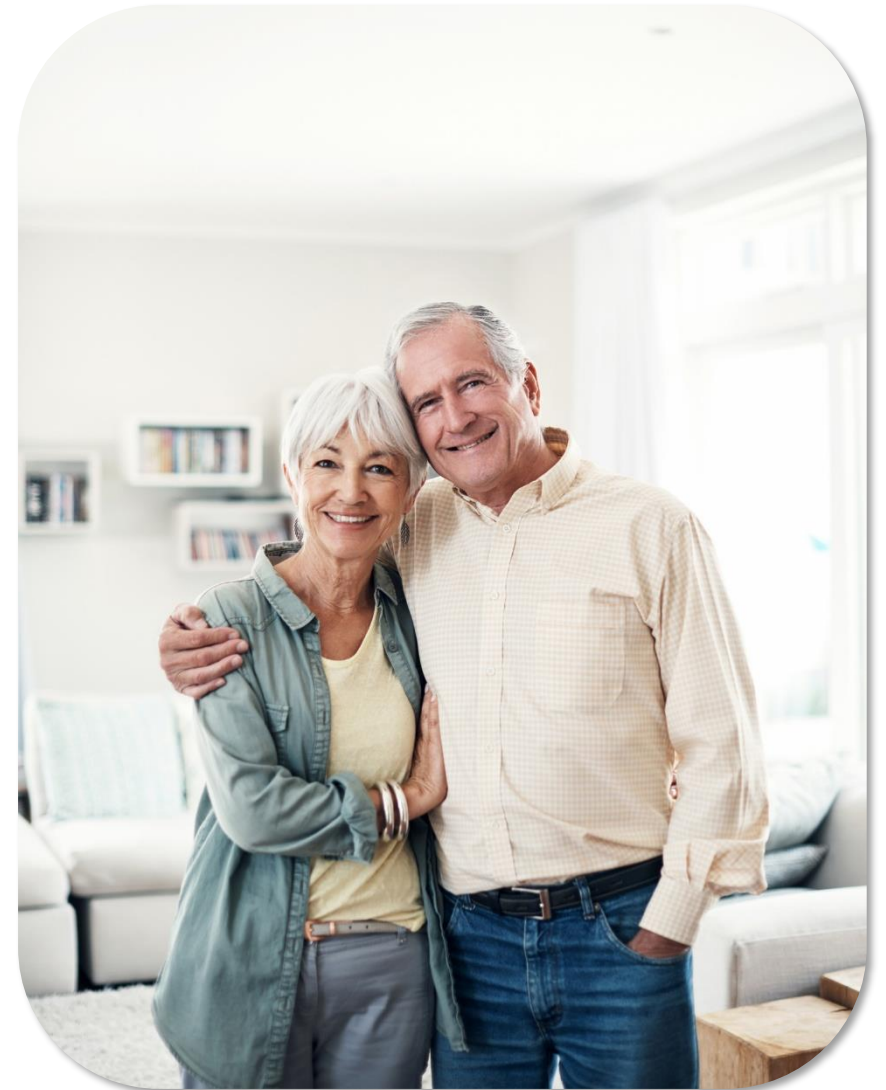
Unlike traditional home loans, no repayment of the HECM loan is required until the borrower no longer occupies the home as their principal residence.



At that time, the lender will declare the mortgage due and payable.



What is borrowed plus interest is due to the lender, any remaining equity remains with the estate.



How Long Have Reverse Mortgages Been Around?



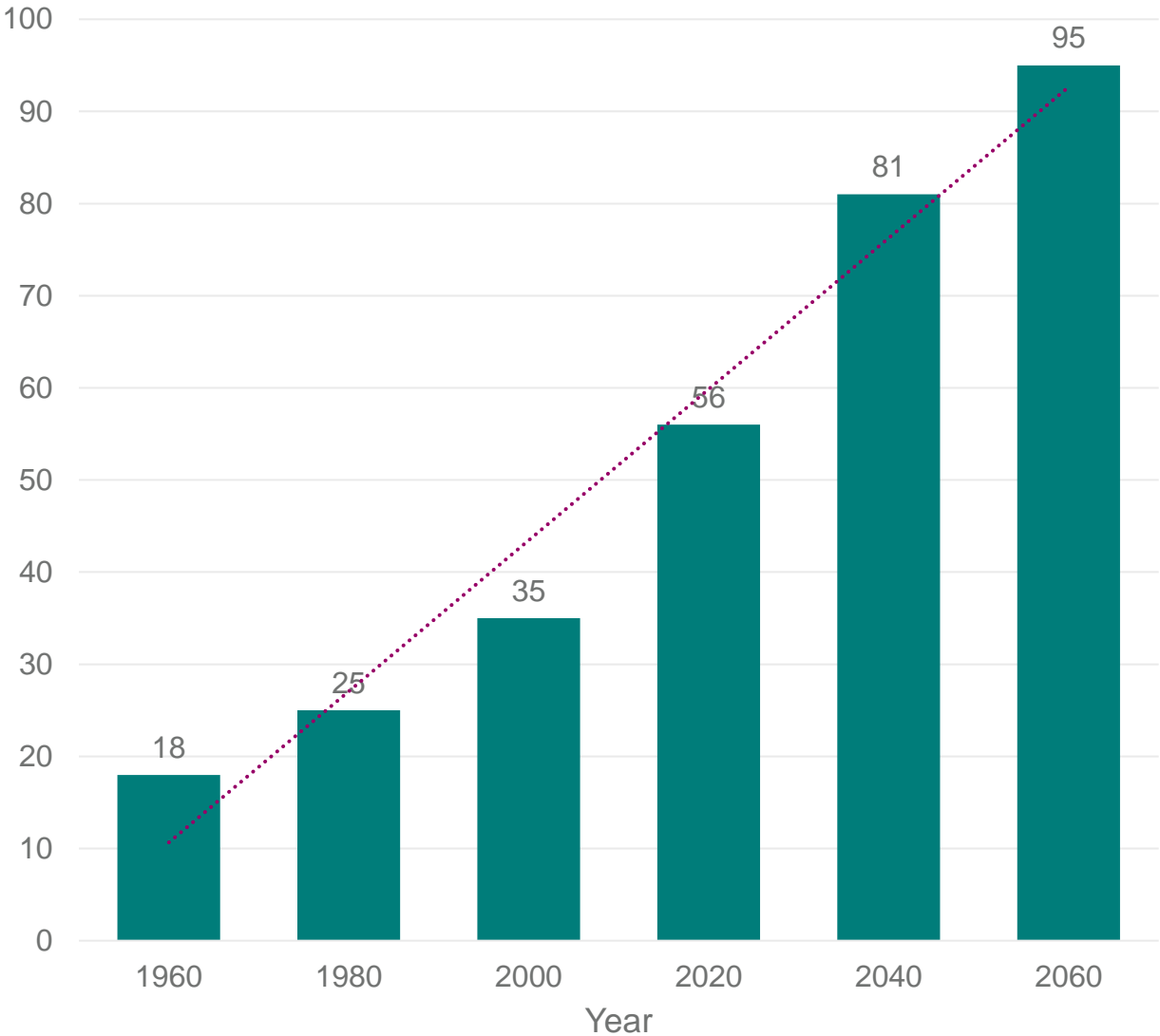
Reverse mortgages are a financial resource that have enabled seniors to use their home equity to sustain long term retirement while maintaining residence in their home. The program developed by the Federal Housing Administration of the US Department of Housing and Urban Development began in 1988 as part of the federal Housing and Community Development Act.



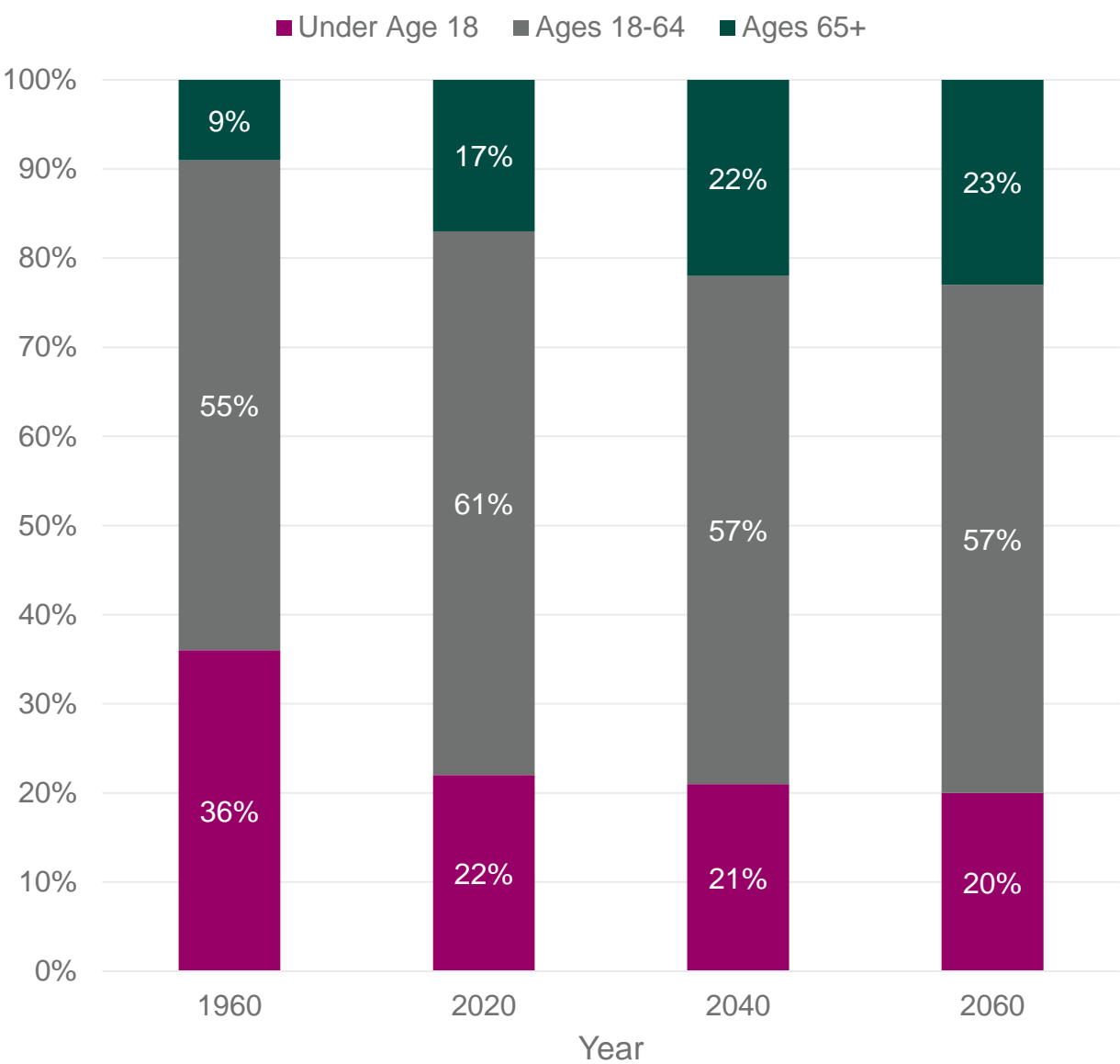
Aging U.S. Population



Number Americans 65 and Older
(in millions)



Percent of U.S. Population
in Selected Age Groups



Source: United States Census Bureau

Income

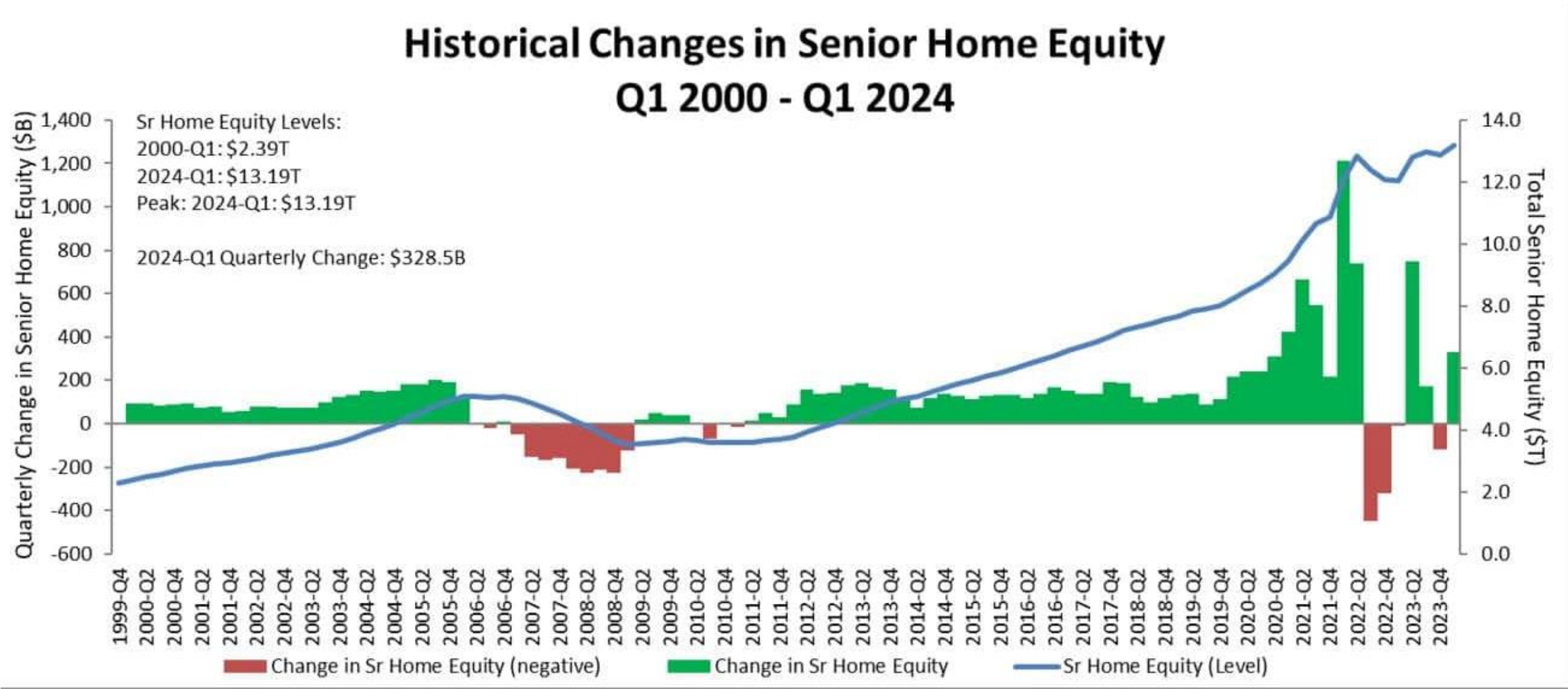


- Baby Boomers are turning 62 at the rate of 10k per day
 - By 2030, all Baby Boomers will be age 65 or older
- The average monthly Social Security check to a retired worker is around \$1,900
 - The average household run by an American older than 65 spends more than \$4,000 a month
- Only 58% percent of Baby Boomers own retirement accounts
 - Over half of boomers have less than \$250,000 saved
- Average cost of assisted living in the United States is \$4,500 per month or \$54,000 annually
- Zero alternatives of additional monthly cash for most seniors other than home equity

Source: United States Census Bureau

Source: <https://www.seniorliving.org/assisted-living/costs/>

Senior Home Equity Levels Reach \$13.19T in Q1



Prepared by RiskSpan, Inc.
Data sources: American Community Survey, Census, FHFA, Federal Reserve

Source: <https://www.nrmlaonline.org/about/press-releases/senior-home-equity-levels-totals-13-19t-in-q1>

Guidelines that Protect the Borrower



Non-Borrowing Spouse (NBS) (ML 2015-02)

If the borrower is married, both individuals must be accounted for in the underwriting decision of a Reverse Mortgage. If the borrower's spouse was not of qualifying age when the reverse mortgage was taken out, this guideline prevents the mortgage from being called "due" in the event of the borrower's death. NBS and Non-Borrowing Occupant can remain on Title!



Income and Credit Underwriting (SEL 2015-10)

This guideline requires the borrower(s) to be subject to a credit and income underwriting decision. The intent of this guideline is to minimize property tax and insurance defaults and help to ensure the desired loan is a positive benefit for the borrower.



Limitations on Cash Out in the First Year (ML 2014-12)

Regardless of how much the borrower is eligible to borrow, the amount of loan proceeds they can access during the first 12 months after closing is limited to 60 percent of the loan amount. For example, if they are eligible for a \$100,000 reverse mortgage, they may only access \$60,000.



Principal Limit and Floor Rates (ML 2017-12)

This Mortgagee Letter increased the upfront Mortgage Insurance Premium (MIP) for many, lowered the annual MIP for all, as well as reduced the amount borrowers will be able to receive under the program. This change was to help ensure long term sustainability of funds available through FHA programs into the future.

Initial Mortgage Insurance Premiums



FHA Guidelines:

- The lesser of the appraised value of the home, the sale price of the home being purchased, or the maximum limit HUD will insure (flat 2% of the Maximum Claim Amount (MCA) \$1,209,750)
- Easy rule of thumb: 2% of the appraised value, capped at \$21,786.00
- For example: \$700,000 appraised value x 2% = \$14,000 in upfront MI
- The interest charged to the borrower is the note rate plus the MI (0.5%)



Step 1 – Qualifying LTV



Max Claim Amount: effective 01/01/23 lesser of \$1,209,750, appraised value or purchase price

LTV is based upon the Expected Rate & Age of the youngest borrower

Determine how much borrower(s) qualify for

FMV - \$500k; 70-year-old; 5.50% Expected Rate, 43.9% LTV = \$219,500.00

FMV – 1.75MM (\$1,149,825); 70-year-old; 5.00% Expected Rate, 46.5% LTV = \$506,524

Main Uses



Although there are no limitations as to how a person may use the proceeds from a reverse mortgage, most borrowers fall into one of these three scenarios:

- Typically paying off an existing mortgage, eliminating that monthly payment and accessing additional equity for retirement needs.

Refinance



- Using a reverse mortgage to purchase a home. Buying “up” or stretching precious retirement liquidity while securing housing without a mortgage payment.

Purchase Money



- Using Reverse as part of an overall retirement strategy to improve one's financial security.

Part of a Retirement Planning Solution



Two Loan Products



Fixed Rate
HECM

Adjustable Rate
HECM

Fixed Rate HECM



- Rate is fixed.
- Borrowers would like to receive funds at closing, with no option of accessing additional funds at a later date.
- Most times these are best suited for high utilization loans where all HECM proceeds are allocated toward paying off an existing mortgage.
- There are no credit line and payment options with the Fixed.
- Fixed may be an inferior product when used as a financial tool



Adjustable Rate HECM



- Index is the 1 Year CMT + Margin = Note Rate
 - Adjusts monthly and has a 5% Lifetime CAP above initial Note rate
- Typically allows borrowers to receive the most funds
- Borrowers have flexibility in accessing the available funds
 - Cash at close
 - Monthly disbursement schedule (term payment)
 - Monthly payment for life (tenure)
 - Credit Line (access cash as needed)
 - These options are flexible; can be combined and changed at a later date
- Current market is 98% ARM vs. 2% Fixed

How Does the Credit Line Work?



- Funds left on the credit line do not incur interest until those funds are drawn upon
 - Prolongs the equity positioning in the home and protects the estate/inheritance
- Only the **available** line of credit will grow over time
- Funds on the credit line grow at the rate of the credit line growth rate
 - Growth rate is the Note rate + .5 (MI), calculated monthly (not daily)
- The credit line growth rate is not interest; it is simple, a built-in feature that allows future access to additional credit

How Does the Credit Line Work?



- Borrowers have limited availability in the first 12 months, after which there are no more restrictions in accessing the available funds
- Borrowers can (but aren't required to) access funds and pay them back only to re-access them later
- **Credit line grows regardless of the equity position in the home**
- Funds are guaranteed and will not be held up, frozen, or reduced because of real estate market declines or the home's future equity position
 - Great hedge against future home depreciation
 - Why better than a HELOC? - permanency
- If the interest rate increases on the HECM, the credit line growth rate increases as well
 - Great hedge against future interest rate increase

Why Not Just a HELOC?



- Most HELOCs have term limits of 10-20 years
- Lower Fees
- Requires a monthly payment
- Loan can be called by the lender at will in a depreciating housing market
 - In 2008, HELOCs were closed, or credit was reduced
- No security
- As future planning, HELOC does not offer any assurance of permanency; can be closed by the lender at any time
- **HELOC is not a retirement tool; it's short-term liquidity**

Why is the Line of Credit (LOC) so Good?



LOC is open ended credit

- Borrow from it, pay it down and borrow from it again

LOC is liquid

- Cash is available typically in 48-72 hrs
- Direct Deposit is encouraged

LOC is not taxed when drawn upon!

LOC is secure

- Will not be reduced, frozen or eliminated if property value should decline

LOC grows

- At the same interest as the Note rate + MI
- Yes! It compounds

Why Reverse?



Nobel Prize winning economist Robert Merton, a finance professor at MIT's Sloan School of Management, stated "Americans have wrongly steered clear of reverse mortgages."¹

"The new view of an FHA HECM reverse mortgage for wealth management firms is that the "Highest and Best" use of HECM reverse mortgages is to improve a client's retirement plan – not rescue it."²

The lack of focus on home equity in retirement income planning is nothing short of a complete failure to properly plan and utilize all available retirement assets.

Sources:

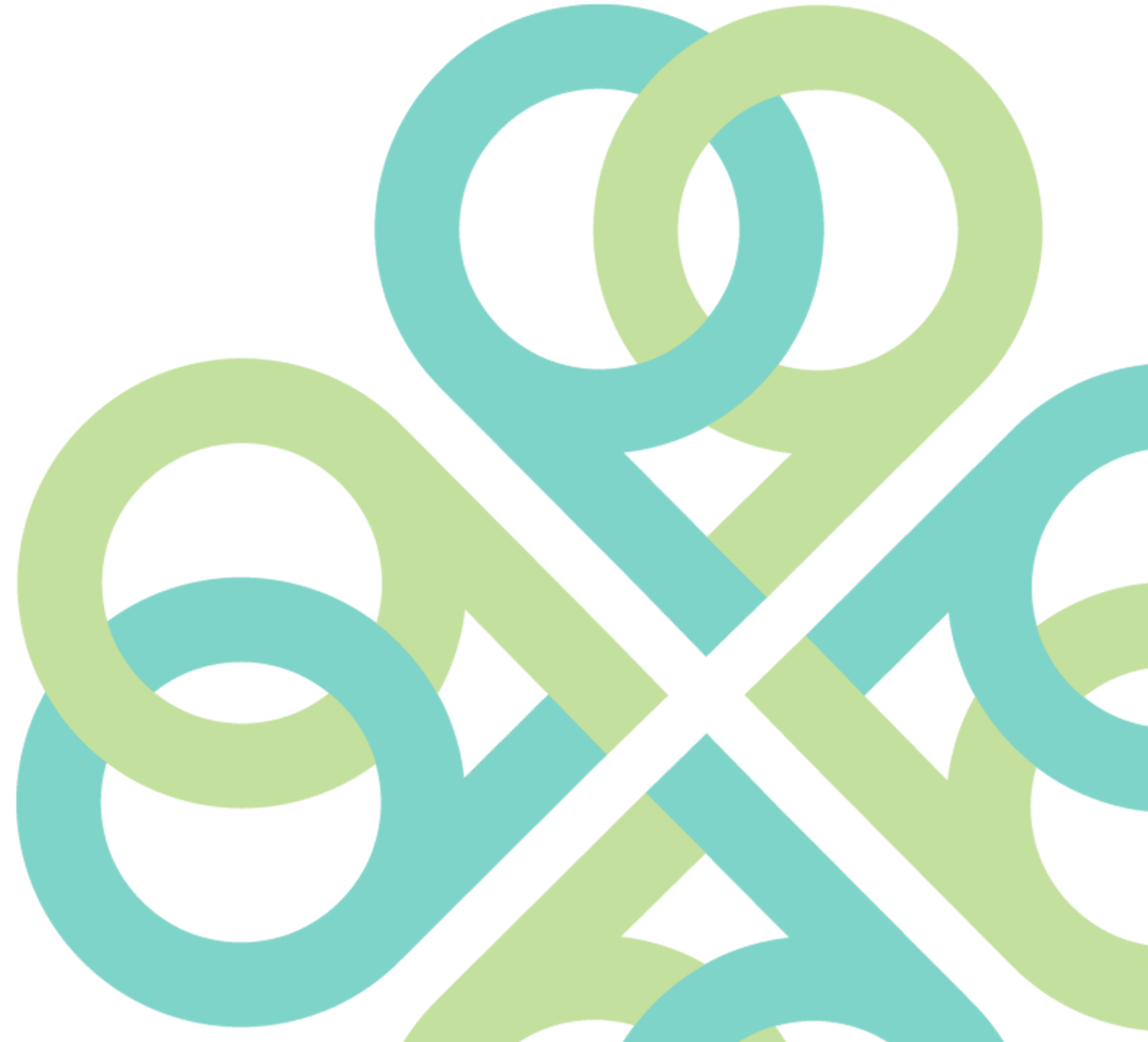
1. <http://www.reversereview.com/magazine/features/feature-the-publics-perception.html>
2. http://toolsforretirementplanning.com/2014/04/16/reverse-mortgage-highlights/?blogsub=confirming#blog_subscription-2

Reverse mortgages can provide an essential risk mitigation tool for millions of retirees—dramatically reducing exposure to longevity and market risks while also growing their investment portfolios, according to an article published in the December issue of the *Journal of Financial Planning*.

<https://www.financialplanningassociation.org/article/reduce-risk-retirement-portfolio-exhaustion-include-home-equity-non-correlated-asset-OPEN>

The article yields critical insights for financial planners and the wealth-advising industry in light of the massive portfolio gains made possible by including home equity in a retirement plan. It also points to a massive demographic shift for the reverse mortgage industry as a whole and strengthens its positioning as a broader wealth management solution for Americans entering retirement with a higher net worth.

Examples



Techniques to Improve Retirement Income Plan



Defer Social
Security Benefits

Reduce Sequence
of Returns Risks



Impact on Taxes

Reduce Retirement
Expenses and
Cash Outflow



1. Defer Social Security Benefits



Using a reverse mortgage to either eliminate a current mortgage or use as an income stream to defer Social Security. This is especially applicable to those in good health and who have concerns about longevity and outliving their money.



Social Security Benefits Claim Schedule	
62	75%
63	80%
65	93.3%
66	100%
67	108%
68	116%
69	124%
70	132%

Borrower: Joe Sample
 Youngest Borrower's Birth Date: 01/01/1952
 Estimated Home Value: 600,000.00
 Maximum Claim Amount: 600,000.00
 Initial Principal Limit: 279,600.00
 Cash From Borrower: 0.00
 Cash To Borrower: 0.00
 Lien Payoffs with Reverse Mortgage: 125,000.00
 Financed Closing Costs: 20,798.00
 1st Year Life Expectancy Set Aside: 0.00
 Lender Credit (0.00)

Estimated Closing Date:

Product Selected: Modified Term
 Initial / Expected Interest Rate: 4.063% 4.530%
 Appreciation: 4.00%
 Ongoing Mortgage Insurance (MIP) 0.5%
 Monthly Servicing Fee: 0.00
 Monthly Payment: 2,000.00
 Initial Line of Credit: 0.08
 Repair Set Aside: 0.00
 Net Life Expectancy Set Aside: 0.00
 Beginning Mortgage Balance: 145,798.00



NOTE: Actual interest and property value projections may vary from amounts shown. Available credit will be less than projected if funds withdrawn from line-of-credit. Actual Life Expectancy Set-aside payments may increase or decrease from the amounts shown based on changes to the property charge costs. The Actual Life Expectancy Set-aside Balance may vary depending on the age of the youngest borrower, the interest rate and changes to the property charge costs. The projections are for illustrative purposes only.

Year	Age	Remaining Line of Credit	LESA Payment	Cash Advance	Service Fee	Interest + MIP	LESA Balance	Loan Balance	Home Value	Remaining Equity
0	66	46,644	0	0	0	0	0	145,798	600,000	454,202
1	67	49,045	0	21,962	0	8,113	0	175,873	624,000	448,127
2	68	51,569	0	24,000	0	9,717	0	209,590	648,960	439,370
3	69	54,224	0	24,000	0	11,453	0	245,043	674,918	429,876
4	70	57,015	0	24,000	0	13,278	0	282,321	701,915	419,594
5	71	59,950	0	0	0	14,533	0	296,853	729,992	433,138
6	72	63,036	0	0	0	15,281	0	312,134	759,191	447,057
7	73	66,281	0	0	0	16,067	0	328,202	789,559	461,357
8	74	69,692	0	0	0	16,895	0	345,096	821,141	476,045
9	75	73,280	0	0	0	17,764	0	362,860	853,987	491,127
10	76	77,052	0	0	0	18,679	0	381,539	888,147	506,608
11	77	81,018	0	0	0	19,640	0	401,179	923,672	522,493
12	78	85,189	0	0	0	20,651	0	421,830	960,619	538,789
13	79	89,574	0	0	0	21,714	0	443,544	999,044	555,500
14	80	94,185	0	0	0	22,832	0	466,376	1,039,006	572,630
15	81	99,033	0	0	0	24,007	0	490,383	1,080,566	590,183
16	82	104,131	0	0	0	25,243	0	515,626	1,123,789	608,162
17	83	109,491	0	0	0	26,542	0	542,169	1,168,740	626,572
18	84	115,128	0	0	0	27,909	0	570,077	1,215,490	645,413
19	85	121,054	0	0	0	29,345	0	599,423	1,264,110	664,687
20	86	127,285	0	0	0	30,856	0	630,278	1,314,674	684,395
21	87	133,837	0	0	0	32,444	0	662,723	1,367,261	704,538
22	88	140,727	0	0	0	34,114	0	696,837	1,421,951	725,114
23	89	147,971	0	0	0	35,870	0	732,707	1,478,829	746,122
24	90	155,588	0	0	0	37,717	0	770,424	1,537,982	767,558
25	91	163,597	0	0	0	39,658	0	810,083	1,599,502	789,419
26	92	172,018	0	0	0	41,700	0	851,782	1,663,482	811,700
27	93	180,873	0	0	0	43,846	0	895,629	1,730,021	834,392
28	94	190,184	0	0	0	46,103	0	941,732	1,799,222	857,490
29	95	199,974	0	0	0	48,477	0	990,209	1,871,191	880,982
30	96	210,267	0	0	0	50,972	0	1,041,181	1,946,039	904,858
31	97	221,091	0	0	0	53,596	0	1,094,776	2,023,880	929,104
32	98	232,472	0	0	0	56,355	0	1,151,131	2,104,835	953,704
33	99	244,439	0	0	0	59,256	0	1,210,387	2,189,029	978,642
34	100	257,021	0	0	0	62,306	0	1,272,692	2,276,590	1,003,897

2. Reduce Sequence of Returns Risks



Sequence of returns risk is one of the biggest risks retirees face when withdrawing money from a retirement portfolio and making the money last for their entire retirement. A retiree's draws may be limited to poor market performance or negative returns in early retirement. Tapping into the HECM can be an effective tool to reduce your sequence of returns and avoid selling your investments in a down cycle.

Borrower: Joe Sample		Estimated Closing Date:	
Youngest Borrower's Birth Date:	01/01/1950	Product Selected:	Modified Term
Estimated Home Value:	600,000.00	Initial / Expected Interest Rate:	4.063% 4.530%
Maximum Claim Amount:	600,000.00	Appreciation:	4.00%
Initial Principal Limit:	288,600.00	Ongoing Mortgage Insurance (MIP)	0.5%
Cash From Borrower	0.00	Monthly Servicing Fee:	0.00
Cash To Borrower:	0.00	Monthly Payment:	3,000.00
Lien Payoffs with Reverse Mortgage:	125,000.00	Initial Line of Credit:	0.08
Financed Closing Costs:	20,798.00	Repair Set Aside:	0.00
1 st Year Life Expectancy Set Aside:	0.00	Net Life Expectancy Set Aside:	0.00
Lender Credit	(0.00)	Beginning Mortgage Balance:	145,798.00



NOTE: Actual interest and property value projections may vary from amounts shown. Available credit will be less than projected if funds withdrawn from line-of-credit. Actual Life Expectancy Set-aside payments may increase or decrease from the amounts shown based on changes to the property charge costs. The Actual Life Expectancy Set-aside Balance may vary depending on the age of the youngest borrower, the interest rate and changes to the property charge costs. The projections are for illustrative purposes only.

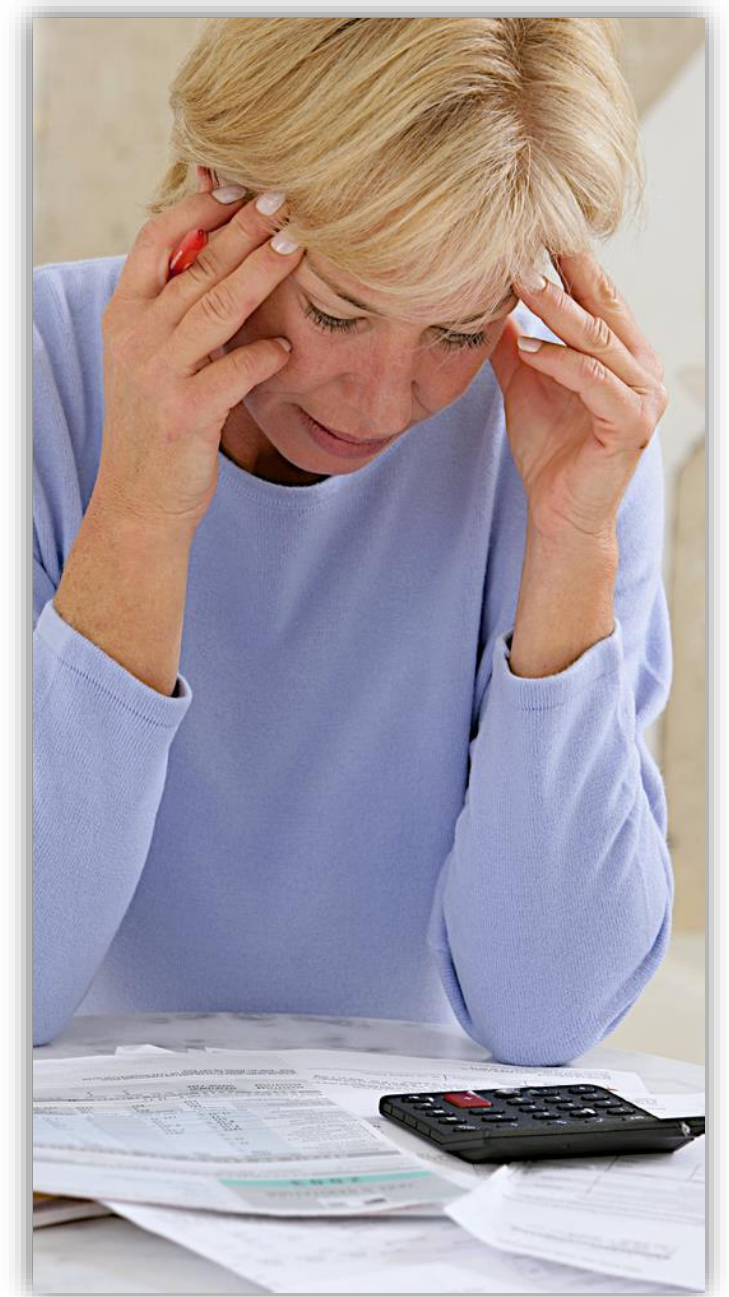
Year	Age	Remaining Line of Credit	LESA Payment	Cash Advance	Service Fee	Interest + MIP	LESA Balance	Loan Balance	Home Value	Remaining Equity
0	68	42,330	0	0	0	0	0	145,798	600,000	454,202
1	69	44,509	0	27,362	0	8,262	0	181,422	624,000	442,578
2	70	46,801	0	36,000	0	10,335	0	227,757	648,960	421,203
3	71	49,210	0	36,000	0	12,720	0	276,477	674,918	398,441
4	72	51,743	0	0	0	14,232	0	290,709	701,915	411,206
5	73	54,406	0	0	0	14,965	0	305,674	729,992	424,318
6	74	57,207	0	0	0	15,735	0	321,408	759,191	437,783
7	75	60,152	0	0	0	16,545	0	337,953	789,559	451,606
8	76	63,248	0	0	0	17,396	0	355,350	821,141	465,792
9	77	66,504	0	0	0	18,292	0	373,642	853,987	480,345
10	78	69,927	0	0	0	19,234	0	392,875	888,147	495,271
11	79	73,527	0	0	0	20,224	0	413,099	923,672	510,573
12	80	77,312	0	0	0	21,265	0	434,364	960,619	526,256
13	81	81,291	0	0	0	22,359	0	456,723	999,044	542,321
14	82	85,476	0	0	0	23,510	0	480,233	1,039,006	558,773
15	83	89,876	0	0	0	24,720	0	504,954	1,080,566	575,612
16	84	94,502	0	0	0	25,993	0	530,947	1,123,789	592,842
17	85	99,367	0	0	0	27,331	0	558,278	1,168,740	610,463
18	86	104,482	0	0	0	28,738	0	587,016	1,215,490	628,474
19	87	109,860	0	0	0	30,217	0	617,233	1,264,110	646,877
20	88	115,516	0	0	0	31,773	0	649,005	1,314,674	665,668
21	89	121,462	0	0	0	33,408	0	682,414	1,367,261	684,847
22	90	127,714	0	0	0	35,128	0	717,542	1,421,951	704,410
23	91	134,288	0	0	0	36,936	0	754,478	1,478,829	724,352
24	92	141,201	0	0	0	38,837	0	793,315	1,537,982	744,667
25	93	148,469	0	0	0	40,837	0	834,152	1,599,502	765,350
26	94	156,112	0	0	0	42,939	0	877,091	1,663,482	786,391
27	95	164,148	0	0	0	45,149	0	922,240	1,730,021	807,781
28	96	172,598	0	0	0	47,473	0	969,713	1,799,222	829,509
29	97	181,482	0	0	0	49,917	0	1,019,630	1,871,191	851,561
30	98	190,824	0	0	0	52,486	0	1,072,116	1,946,039	873,922
31	99	200,647	0	0	0	55,188	0	1,127,304	2,023,880	896,576
32	100	210,976	0	0	0	58,029	0	1,185,334	2,104,835	919,502

3. Impact on Taxes

Tax laws are subject to change; therefore, we offer general guidelines.

- 1. Income Taxes:** a simple way to lower adjusted gross income is to draw from a non-taxable source.
- 2. Long Term Capital Gain:** may limit or avoid if a taxpayer can stay in a lower tax bracket; again, with strategic draws from a non-taxable source.
- 3. IRS Form 1098:** Mortgage Interest deduction if \$600 or more is paid towards the reverse mortgage.

*Consult a professional tax advisor



Borrower: Joe Sample		Estimated Closing Date:	
Youngest Borrower's Birth Date:	01/01/1950	Product Selected:	Line of Credit
Estimated Home Value:	600,000.00	Initial / Expected Interest Rate:	4.063% 4.530%
Maximum Claim Amount:	600,000.00	Appreciation:	4.00%
Initial Principal Limit:	288,600.00	Ongoing Mortgage Insurance (MIP)	0.5%
Cash From Borrower	0.00	Monthly Servicing Fee:	0.00
Cash To Borrower:	0.00	Monthly Payment:	0.00
Lien Payoffs with Reverse Mortgage:	125,000.00	Initial Line of Credit:	27,362.00
Financed Closing Costs:	20,798.00	Repair Set Aside:	0.00
1 st Year Life Expectancy Set Aside:	0.00	Net Life Expectancy Set Aside:	0.00
Lender Credit	(0.00)	Beginning Mortgage Balance:	145,798.00



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Year	Age	Remaining Line of Credit	LESA Payment	Cash Advance	Service Fee	Interest + MIP	LESA Balance	Loan Balance	Home Value	Remaining Equity
0	68	142,802	0	0	0	0	0	145,798	600,000	454,202
1	69	150,153	0	0	0	7,505	0	153,303	624,000	470,697
2	70	157,882	0	0	0	7,891	0	161,195	648,960	487,765
3	71	166,009	0	0	0	8,298	0	169,492	674,918	505,426
4	72	174,555	0	0	0	8,725	0	178,217	701,915	523,698
5	73	183,540	0	0	0	9,174	0	187,391	729,992	542,601
6	74	192,988	0	0	0	9,646	0	197,037	759,191	562,154
7	75	202,922	0	0	0	10,143	0	207,180	789,559	582,379
8	76	213,368	0	0	0	10,665	0	217,844	821,141	603,297
9	77	224,351	0	0	0	11,214	0	229,058	853,987	624,929
10	78	235,900	0	0	0	11,791	0	240,849	888,147	647,297
11	79	248,043	0	0	0	12,398	0	253,247	923,672	670,425
12	80	260,811	0	0	0	13,036	0	266,283	960,619	694,336
13	81	274,237	0	0	0	13,707	0	279,990	999,044	719,054
14	82	288,354	0	0	0	14,413	0	294,403	1,039,006	744,603
15	83	303,197	0	0	0	15,155	0	309,558	1,080,566	771,008
16	84	318,804	0	0	0	15,935	0	325,493	1,123,789	798,296
17	85	335,215	0	0	0	16,755	0	342,248	1,168,740	826,493
18	86	352,470	0	0	0	17,618	0	359,865	1,215,490	855,625
19	87	370,614	0	0	0	18,524	0	378,390	1,264,110	885,720
20	88	389,692	0	0	0	19,478	0	397,868	1,314,674	916,806
21	89	409,752	0	0	0	20,481	0	418,348	1,367,261	948,912
22	90	430,844	0	0	0	21,535	0	439,883	1,421,951	982,068
23	91	453,022	0	0	0	22,643	0	462,527	1,478,829	1,016,303
24	92	476,342	0	0	0	23,809	0	486,336	1,537,982	1,051,647
25	93	500,862	0	0	0	25,035	0	511,370	1,599,502	1,088,132
26	94	526,645	0	0	0	26,323	0	537,694	1,663,482	1,125,788
27	95	553,754	0	0	0	27,678	0	565,372	1,730,021	1,164,649
28	96	582,259	0	0	0	29,103	0	594,475	1,799,222	1,204,747
29	97	612,231	0	0	0	30,601	0	625,076	1,871,191	1,246,115
30	98	643,747	0	0	0	32,176	0	657,253	1,946,039	1,288,786
31	99	676,884	0	0	0	33,833	0	691,085	2,023,880	1,332,795
32	100	711,727	0	0	0	35,574	0	726,660	2,104,835	1,378,176

Borrower: Joe Sample		Estimated Closing Date:	
Youngest Borrower's Birth Date:	01/01/1950	Product Selected:	Line of Credit
Estimated Home Value:	600,000.00	Initial / Expected Interest Rate:	4.063% 4.530%
Maximum Claim Amount:	600,000.00	Appreciation:	4.00%
Initial Principal Limit:	288,600.00	Ongoing Mortgage Insurance (MIP)	0.5%
Cash From Borrower	0.00	Monthly Servicing Fee:	0.00
Cash To Borrower:	0.00	Monthly Payment:	0.00
Lien Payoffs with Reverse Mortgage:	125,000.00	Initial Line of Credit:	24,362.00
Financed Closing Costs:	20,798.00	Repair Set Aside:	0.00
1 st Year Life Expectancy Set Aside:	3,000.00	Net Life Expectancy Set Aside:	34,707.19
Lender Credit	(0.00)	Beginning Mortgage Balance:	145,798.00



NOTE: Actual interest and property value projections may vary from amounts shown. Available credit will be less than projected if funds withdrawn from line-of-credit. Actual Life Expectancy Set-aside payments may increase or decrease from the amounts shown based on changes to the property charge costs. The Actual Life Expectancy Set-aside Balance may vary depending on the age of the youngest borrower, the interest rate and changes to the property charge costs. The projections are for illustrative purposes only.

Year	Age	Remaining Line of Credit	LESA Payment	Cash Advance	Service Fee	Interest + MIP	LESA Balance	Loan Balance	Home Value	Remaining Equity
0	68	105,095	0	0	0	0	37,707	145,798	600,000	454,202
1	69	110,505	3,000	0	0	7,543	36,610	156,341	624,000	467,659
2	70	116,193	3,000	0	0	8,086	35,456	167,427	648,960	481,533
3	71	122,174	3,000	0	0	8,657	34,244	179,084	674,918	495,835
4	72	128,463	3,000	0	0	9,257	32,968	191,340	701,915	510,575
5	73	135,076	3,000	0	0	9,888	31,627	204,228	729,992	525,764
6	74	142,029	3,000	0	0	10,551	30,217	217,779	759,191	541,413
7	75	149,340	3,000	0	0	11,249	28,734	232,027	789,559	557,532
8	76	157,028	3,000	0	0	11,982	27,175	247,009	821,141	574,132
9	77	165,111	3,000	0	0	12,753	25,536	262,763	853,987	591,225
10	78	173,610	3,000	0	0	13,564	23,812	279,327	888,147	608,820
11	79	182,547	3,000	0	0	14,417	22,000	296,743	923,672	626,929
12	80	191,944	3,000	0	0	15,313	20,094	315,057	960,619	645,563
13	81	201,824	3,000	0	0	16,256	18,091	334,313	999,044	664,731
14	82	212,213	3,000	0	0	17,247	15,984	354,560	1,039,006	684,446
15	83	223,137	3,000	0	0	18,289	13,768	375,849	1,080,566	704,717
16	84	234,623	3,000	0	0	19,385	11,439	398,235	1,123,789	725,554
17	85	246,701	3,000	0	0	20,538	8,990	421,772	1,168,740	746,968
18	86	259,400	3,000	0	0	21,749	6,414	446,521	1,215,490	768,968
19	87	272,753	3,000	0	0	23,023	3,707	472,545	1,264,110	791,565
20	88	286,793	3,000	0	0	24,363	859	499,908	1,314,674	814,766
21	89	301,556	881	0	0	25,756	0	526,544	1,367,261	840,717
22	90	317,079	0	0	0	27,104	0	553,649	1,421,951	868,303
23	91	333,401	0	0	0	28,500	0	582,148	1,478,829	896,681
24	92	350,563	0	0	0	29,967	0	612,115	1,537,982	925,868
25	93	368,608	0	0	0	31,509	0	643,624	1,599,502	955,878
26	94	387,583	0	0	0	33,131	0	676,755	1,663,482	986,727
27	95	407,534	0	0	0	34,837	0	711,592	1,730,021	1,018,429
28	96	428,512	0	0	0	36,630	0	748,222	1,799,222	1,051,000
29	97	450,570	0	0	0	38,515	0	786,737	1,871,191	1,084,454
30	98	473,764	0	0	0	40,498	0	827,235	1,946,039	1,118,803
31	99	498,151	0	0	0	42,583	0	869,818	2,023,880	1,154,062
32	100	523,794	0	0	0	44,775	0	914,593	2,104,835	1,190,242

What We Must Know About the Line of Credit (LOC)?



Available only with the
ARM

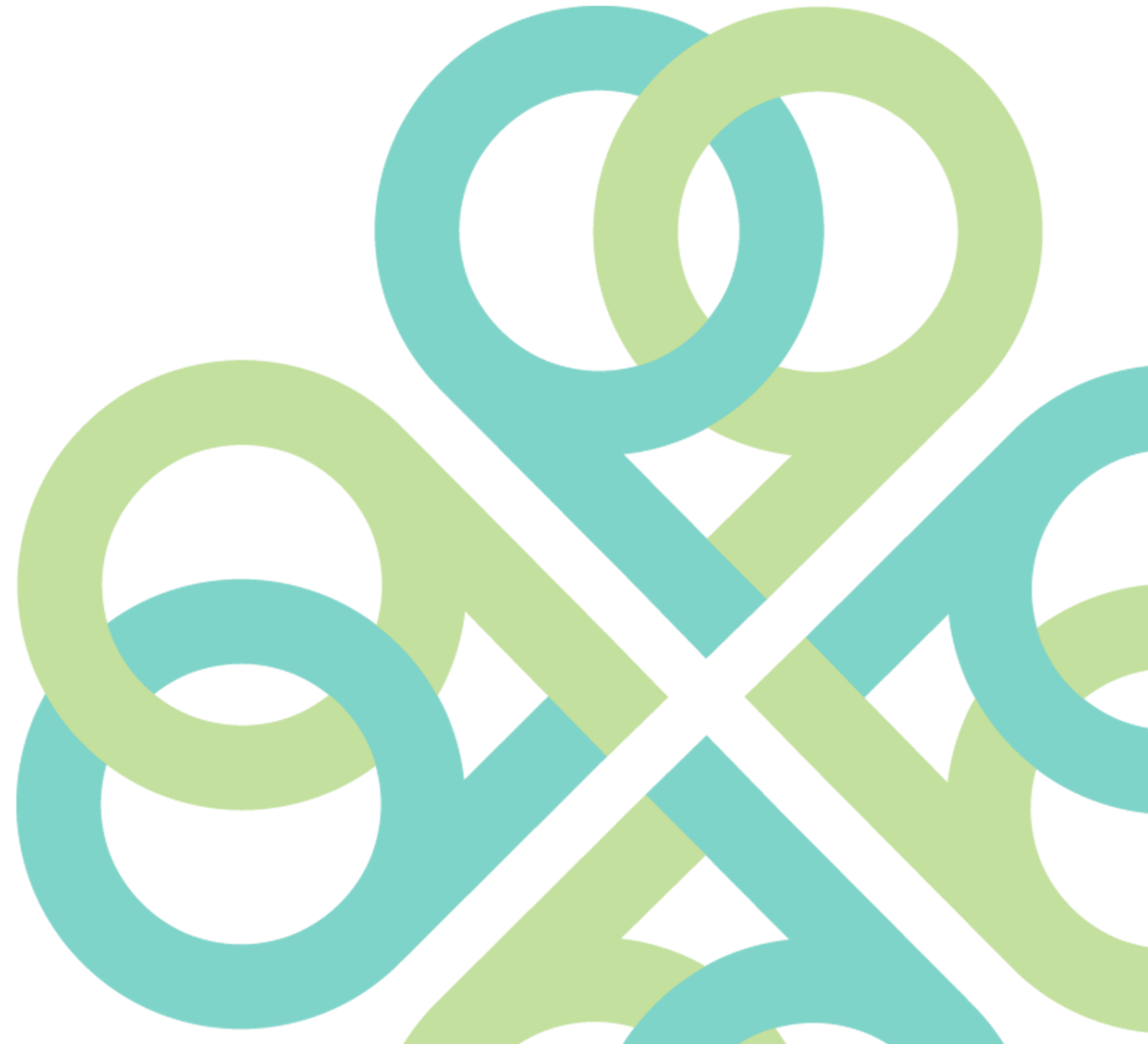
LOC is open ended
credit – Borrow funds,
pay it back and re-
access without
restrictions

LOC is not taxed when
drawn – Strategic draws
may allow a homeowner
to remain in a lower tax
bracket

LOC is secure – It will
not be reduced, frozen
or withdrawn if property
value decreases

LOC grows – Available
credit grows and
compounds at the same
rate as the interest
charged on borrowed
money

Addressing Family and Estate Concerns



Major Family Concerns



- Depreciation of Equity – A reverse mortgage is a negative amortization and deferred payment loan. The loan balance can and will grow unless a payment is made to satisfy the interest charged.
- Looking at a reverse mortgage amortization schedule will help the borrower(s) and family to better understand the home's equity position over time when a reverse is in force.
 - Major Factors that will impact the equity position of the home:
 - The Adjustable-Rate Mortgage (ARM) can adjust upwards as well as down. Large upward adjustments will increase the amount of interest being charged. Conversely, lower adjusted rates will cause less interest to be charged.
 - Draw Behavior – Slowly taking smaller draws over a longer period of time will help sustain the equity position in the home.
 - Real Estate Appreciation – Positive home appreciation is not shared with the lender and will help the estate maintain equity in the home.
 - Costs: MIP is the main charge which can cause an emotional reaction from borrowers and family.
 - Justify the MIP as an Insurance Premium, because that is what it is.
 - It goes to FHA and offers the borrower and family protection

How is the Family and/or Estate Protected at Loan Maturity?



Estate

The borrower's immediate family can purchase the home at 95% of the current market value, regardless of what is owed (ML 2011-16 and ML 2008-38).

Limitations of Liability

Non-Recourse Loan. Borrower(s) shall have no personal liability for payment of the debt. Lender shall enforce the debt only through the sale of the property (HECM Note Section 4C).

No Pre-Payment Penalties

Borrower(s) may make payments, sell, or pay-off at anytime with no fee.

Borrower Maintains Title

Borrower(s) do not relinquish Title to the property. Borrower is responsible for property taxes, insurance, maintenance, and other expenses. Title may be jeopardized if these payments are not kept current.

Other Uses for Reverse Mortgages



Future Care

Silver Divorce

Sequence of Return Risks

Portfolio Management

Goal Setting: Accelerate payments to pay down my mortgage or save funds for retirement? Reverse accomplishes both.

Loan Maturity



Loan maturity typically occurs when the last remaining borrower no longer occupies the subject property as their principal residence. All HECM Notes indicate the loan is due immediately upon loan maturity; however, industry standards allow 60-90 days and extensions as needed to arrange loan payoff (i.e., sale, purchase, refinance, etc.).



How Will This Help My Business?



As a Financial Planners Tool to Assist Borrowers in Retirement

- Get the HECM and growth rate to work for you as soon as you can!
- Wade Pfau - Reversing Conventional Wisdom
- Use Home Equity as part of an overall retirement plan
 - Defer SSI
 - Reduce Sequence of Return Risks

As a Purchase Vehicle

- Use the Reverse as a way to open up new markets with Realtors®
- Buy-Up & get more house than paying cash
- Retain key assets for retirement “living”
- Secure retirement living with the security of no mortgage payment

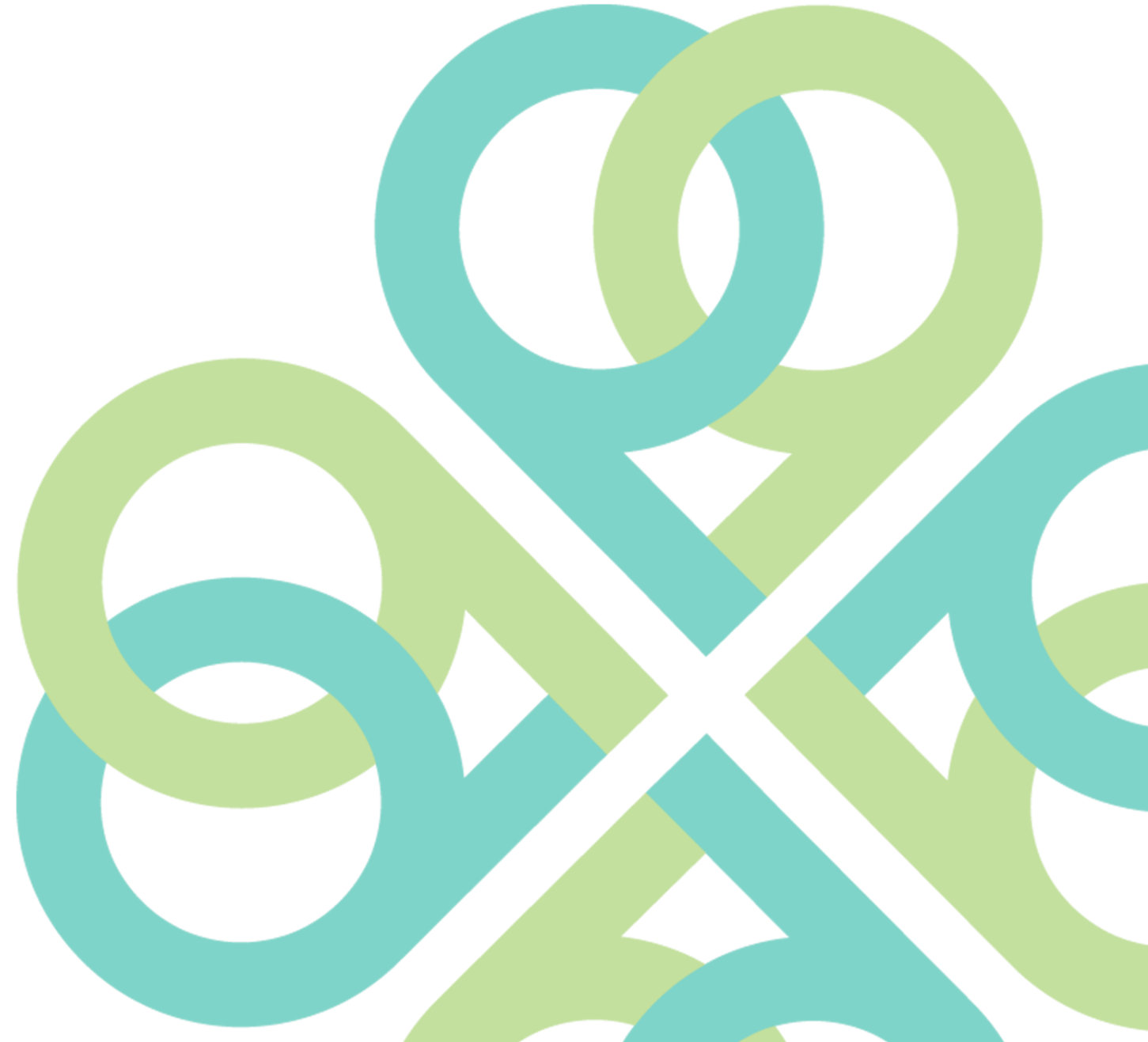
Eliminate Current Mortgage

- Retain cash in early retirement
- Enjoy your residence


Market Financially Sound Prospects

- With New PL Factors, LESA clients will struggle to cover the required equity

Resources




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Why Choose Plaza?

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Plaza's Reverse Mortgage Website



Serving Reverse mortgage clients since 2008 and still going strong!



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Reverse Mortgage Pre-Qual

Quote Calculator



Reverse Processing



Forms



Program & Guidelines



- Bay Docs - Reverse Mortgage Software
- Counseling Information
- Reverse Market News

Marketing Materials

Training Center

Streamline Reverse Mortgage Title Orders with Plaza



At Plaza Home Mortgage®, our goal is to make your life easier. To help streamline the process for reverse mortgages, our Reverse Mortgage Division can, with borrower approval through you, initiate title orders and closing services on your borrower's behalf so you can focus on the most important thing – your business!

Benefits to you:

- Close more loans while offering a valuable financing option to seniors
- Auto-populated fees are inputted into our Reverse Mortgage LOS, so you immediately know the expected title and closing fees
- Our underwriters and customer service representatives (CSRs) will satisfy the title conditions during the loan process directly with the title company
- Work directly with our closing department that will manage the closing with you, the borrower, and the closing agent
 - Most closings conveniently take place at the HECM borrower's residence
 - Closings can be requested in an office environment
- Lean on Plaza's Reverse team as your main point of contact for title services and conditions and mortgage pay-off orders

We're here to help you every step of the way. However, please be aware that the originating broker/lender will be responsible for all direct borrower correspondence. Plaza's Reverse Division does not correspond directly with reverse mortgage borrowers.

Tools for Retirement Planning



Tools for Retirement Planning

BETTER PLANNING FOR BETTER RETIREMENTS

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How to Recession-proof Your Retirement Have a Mortgage and are age 62+? Consider a Reverse Mortgage

BY TOM DAVISON ON FEBRUARY 16, 2020

Economists Are Gloomy!? Many feel a recession is coming. Wharton Business School's Olivia S Mitchell recently addressed the challenges of retirement, especially for retirees. Key steps: First, "try to put together a [...]"

Reverse Mortgages Can Help House-Rich Seniors Free Up Cash for Retirement. Here's How They Work.

BY TOM DAVISON ON FEBRUARY 13, 2020

This article by Neal Templin appeared in Barron's Dec 14, 2019. Looking to free up \$4 million to fund your retirement or pay off your mortgage? If you're a senior with serious [...]"

Why The Announcement Of The Academy Of Home Equity Is Such An Important Development

BY TOM DAVISON ON JUNE 20, 2019

By Jamie Hopkins By JAMIE HOPKINS For AdvisorNews Generally financial advice in the United States has been siloed, fragmented and

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- [Why The Announcement Of The Academy Of Home Equity Is Such An Important Development](#)
- [The Academy for Home Equity in Financial Planning's Reverse Mortgage Bibliography](#)

<https://toolsforretirementplanning.com/category/hecm/>

Additional Resources



- The Government's Redesigned Reverse Mortgage Program – Center for Retirement Research at Boston University
http://crr.bc.edu/wp-content/uploads/2014/01/IB_14-1_508x.pdf
- “Reversing the Conventional Wisdom: Using Home equity to Supplement Retirement Income” by Barry H. Sacks, J.D., Ph.D. and Stephen R. Sacks, Ph.D.
<https://www.financialplanningassociation.org/article/journal/FEB12-reversing-conventional-wisdom-using-home-equity-supplement-retirement-income>
- Wade Pfau, Ph.D., CFA – Forbes Magazine
<http://retirementresearcher.com/>

Journal of Financial Planning Highlights Importance of Reverse Mortgages



Reverse mortgages can provide an essential risk mitigation tool for millions of retirees—dramatically reducing exposure to longevity and market risks while also growing their investment portfolios, according to an article published in the December issue of the *Journal of Financial Planning*.

The article, titled [*To Reduce the Risk of Retirement Portfolio Exhaustion: Include Home Equity as a Non-Correlated Asset in the Portfolio*](#), found that retirement strategies that use a reverse mortgage as an alternative source of cashflow to a traditional investment portfolio hold the greatest benefit for mass affluent Americans—generally defined as those with \$100,000 to \$1.5 million in investible assets.

The article yields critical insights for financial planners and the wealth advising industry in light of the massive portfolio gains made possible by including home equity in a retirement plan. It also points to a massive demographic shift for the reverse mortgage industry as a whole and strengthens its positioning as a broader wealth management solution for Americans entering retirement with a higher net worth.

"When it comes to reducing investment risks, this study is perhaps one of the most significant findings since the prevailing Modern Portfolio Theory (MPT) was introduced in 1952," says Phil Walker, Vice President of Strategic Partnerships and Retirement Strategies at Finance of America Reverse, who co-authored the study with retirement researchers Drs. Barry and Stephen Sacks.

Source:

<https://www.nrmlaonline.org/2021/12/03/journal-of-financial-planning-highlights-importance-of-reverse-mortgages#:~:text=Reverse%20mortgages%20can%20provide%20an,the%20Journal%20of%20Financial%20Planning.>

Suggested Resources





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Reverse mortgage news, commentary, and analysis for serious reverse mortgage professionals

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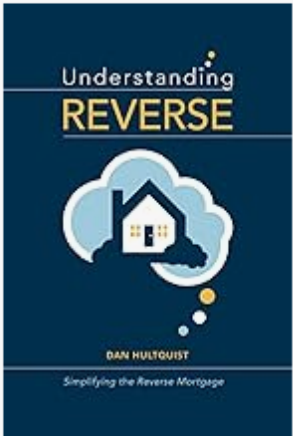
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Suggested Resources



Understanding Reverse: Simplifying the Reverse Mortgage

by Dan Hultquist | Feb 1, 2024

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Paperback

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Kindle

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Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement (The Retirement Researcher Guide Series)

Part of: The Retirement Researcher Guide Series (4 books) | by Wade D. Pfau Ph.D. | Feb 24, 2022

★★★★★ 209

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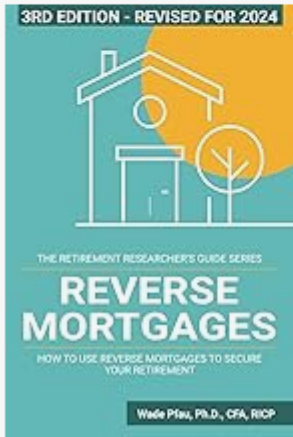
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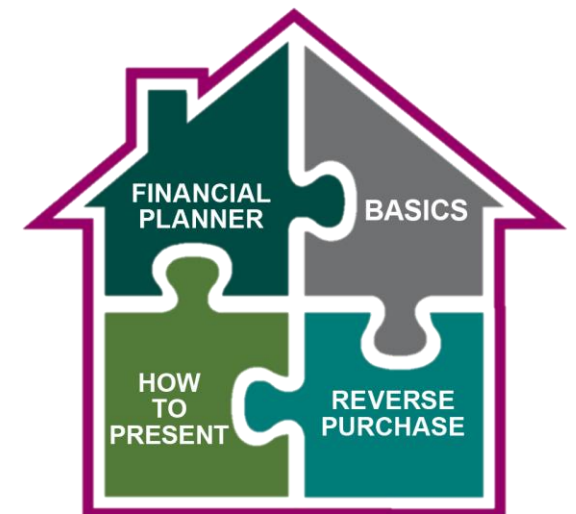


Click the links below to view the webinar recordings for our other trainings:

- [Plaza's Reverse Mortgage PreQual Borrower Counseling Package](#)
- [Reverse Mortgage Basics](#)
- [How to Use the Reverse Mortgage to Purchase a Home](#)
- [How to Present a Reverse Mortgage: The "Kitchen Table" Approach](#)
- [Originating a Reverse Mortgage with Plaza: File Flow from Start to Finish](#)
- [Financial Planners Guide to Reverse Mortgages](#)
- [The Impact of a Rising Rate Environment on Reverse Mortgages and Their Loan Amounts](#)
- [What is the Reverse Mortgage LESA?](#)

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If you have any questions or comments, please feel free to contact your Plaza Account Executive or mark.reeve@plazahomemortgage.com.