

# Reverse Mortgages

Presented by  
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## Learn the ins and outs of Reverse Mortgages

- What to look for and what to avoid
- Is a Reverse Mortgage for you?
- Discover how your real estate position may assist you in your Golden Years

## Who is George Cooke?

- Originally from Rochester, New York
- Moved to Rancho Bernardo with my family 30 years ago
- Actively involved in the RB community
- Realtor with Coldwell Banker
- Seniors Real Estate Specialist (SRES)

## Why am I here today?

- Invited by AltaGolden to discuss Reverse Mortgages and your real estate position as well as other ideas for seniors who want to improve cash flow
- I am here to tell you about reverse mortgages. I don't know all of the answers but I'll give you a good overview

## Are you “cash poor” with all your assets tied up in your home?

- You are living on a fixed income that doesn't meet all your expenses
- You have owned your home and paid the mortgage for many years
- The equity in your home could help, but you need a place to live
- How can you tap into your home equity to generate cash?

## What are some solutions for seniors who have a fixed income?

- You can go back to work
- You can take in a renter
- You can ask your family for assistance
- You can cash in on assets that are no longer needed
- You can sell or refinance (borrow against) your existing home

## What are some possible solutions?

- Sell your house and move in with your family
- Sell your house and downsize
- Sell your house to an investor and rent it back
- Sell your house and rent something else
- Take out a home equity line of credit and borrow against it
- Take out a Reverse Mortgage on your existing home
- Use a Reverse Mortgage to purchase another home

## Why the interest in a Reverse Mortgage?

- Older Americans have a lot to worry about in today's economy.
- But for homeowners age 62 and above who own their homes outright or have a small unpaid balance, a Reverse Mortgage may be a means of paying bills in difficult times while remaining in your home.

## What is a Reverse Mortgage?

- A Reverse Mortgage is a loan against a home's equity that doesn't need to be repaid until the owner dies, sells, or permanently moves out of the home.

## How does a Reverse Mortgage generate cash from your home?

- Here's an example:
- Mrs. Jones, a 70 year old widow, lives in a beautiful home that she and her family have owned for 25 years. The mortgage has a remaining balance of \$45,000 and the mortgage payment is \$1,000 per month. Her house is worth \$545,000 in today's market, but Mrs. Jones wants to stay in her family home and does not want to sell it.

With a Reverse Mortgage (based on one quote), she can get:

- A single lump sum advance of \$231,296 or
- A line of credit for \$231,296 that grows each year by 3.81%\* or
- A monthly loan advance of \$1,554 or
- Any combination of lump sum, credit line, and monthly advance

What are the factors that influence the above estimate?

- Your geographic location
- When you were born and the age of your spouse or other owners
- How much your home is worth
- How much you currently owe on your house
- The interest rate is determined by combining the value of the home with the homeowner's age.

## What is Home Equity?

- The value remaining in a property after payment of all liens
- (It is the portion of the house that you own rather than the bank)

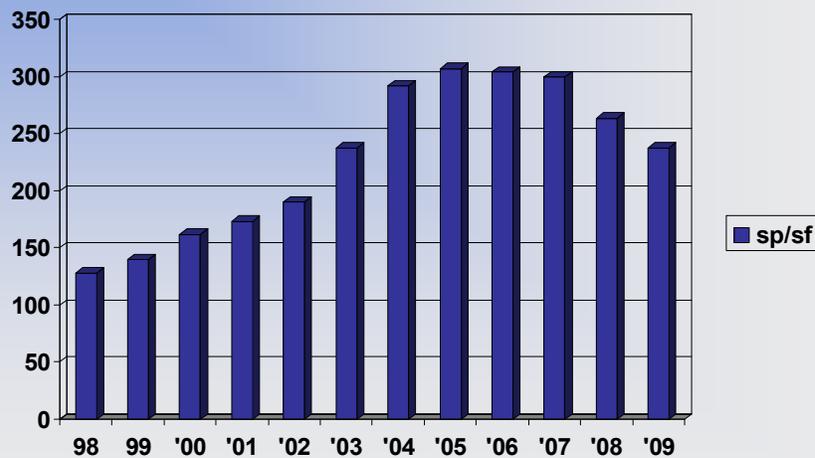
## What is Equity and how has the Real Estate Market impacted it?

- Your Equity increases as you pay down your loan.
- Your Equity decreases as you take out more loans.
- Your Equity increases when your home market value appreciates.
- Your Equity decreases when your home market value depreciates.

## What is happening in today's real estate market?

- During the past decade we have seen unprecedented market activity.
- Prices increased dramatically from 2000 to 2005, and declined dramatically in 2007 and 2008.
- Rancho Bernardo and the I-15 corridor held up better than most areas.
- The good news is that prices have bottomed out and are stabilizing.

## Rancho Bernardo Real Estate Market Trends 1998 - 2009



## What are the types of Reverse Mortgages and how are they used?

- Take out a Reverse Mortgage on an existing home
- Use a Reverse Mortgage to Purchase a home (e.g. when downsizing)

## Who can benefit from a Reverse Mortgage?

- Anyone over 62 years of age who has equity in their home and needs an increased cash flow or an immediate source of funds.

## What are the risks of a Reverse Mortgage?

- The interest owed on a Reverse Mortgage is added to the loan balance.
- There are numerous origination fees (can be \$6,000 or more)
- There are high upfront costs including higher insurance premiums, title search costs, and origination fees.
- If home values drop, many reverse mortgage holders could find themselves with high debt and little equity to pay it off.

## Reverse Mortgage Calculators

- There are many organizations that offer legitimate reverse mortgage information including Reverse Mortgage Calculators. We recommend going to a non-sales related site to view this information.
  - AARP
  - HECM
  - Your bank

## What are the sources of funds for Reverse Mortgages?

- Home Equity Conversion Mortgage (HECM) – the only reverse mortgage program insured by the Federal Housing Administration (FHA). More than 90% of Reverse Mortgages are HECM.
- Fannie Mae “Home Keeper” Reverse Mortgages – These have higher maximum loan limits.
- Financial Freedom Plan Reverse Mortgages – “Jumbo Cash Account” has no upper limit.

## Online Information Resources

The AARP provides a fact sheet on reverse mortgages:

- [www.aarp.org/money/personal/reverse\\_mortgages/](http://www.aarp.org/money/personal/reverse_mortgages/)

## Online Information Resources

### Home Equity Conversion Mortgage

### FHA Reverse Mortgages (HECMs) for Consumers

- [www.hud.gov/buying/reverse.cfm](http://www.hud.gov/buying/reverse.cfm)

## Online Information Resources

- Reverse Mortgages Pay It Forward, by David Tremont
- CALIFORNIA REAL ESTATE • APRIL/MAY 2009
- Reprinted by California Association of Realtors
- [http://www.car.org/media/pdf/Reverse\\_Mortgages1.pdf](http://www.car.org/media/pdf/Reverse_Mortgages1.pdf)

## How do you determine the value of the equity in your home?

- Ask your Real Estate agent for comparables in your neighborhood
- Get an appraisal

## Questions and Answers

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Thank you for your participation!

George Cooke

For a copy of this presentation visit

[www.GeorgeCooke.com](http://www.GeorgeCooke.com)