

Reaping the Rewards of a Lifetime Investment at Home

Reverse Mortgage Program Overview

**WELLS
FARGO**

**HOME
MORTGAGE**

Reverse Mortgage 101

- Non-recourse loan that enables homeowners age 62 and older to convert home equity into tax-free proceeds
- Interest accrues but no payments are required until the home is no longer the borrower's principal residence
- There are no income, medical, asset or credit score requirements to qualify
- Independent consumer counseling required

Eligibility Requirements

- All homeowners on title must be at least 62 years of age or older
- Home must be applicant's primary residence
- Must own home free and clear or use loan proceeds to pay off all remaining home debt and liens
- Must agree to attend an independent counseling session with a HUD-approved agency (via telephone or face-to-face)

Eligible Properties

- Eligible properties include:
 - » Single family, 1 to 4-unit, owner-occupied dwellings
 - » Manufactured Homes
 - » Condominiums & Townhomes
 - » Planned Urban Developments (PUDs)
- Mobile homes and cooperatives not eligible

Determining Loan Amounts

- The amount of available, tax-free proceeds is based on:
 - » Age of the youngest homeowner
 - » Value and location of the home
 - » Current interest rates
- The older you are, the greater the property value, and the lower the current interest rates, the larger your loan amount

Disbursement Options

- Reverse mortgage proceeds can be dispersed to the borrower in four ways:
 - » Lump Sum
 - » Monthly Payments -- Term or Tenure
 - » Line of Credit
 - » Combination

Standard Costs

- Origination fee – 2% of Maximum Claim Amount (MCA) or \$2,000, whichever is greater
 - » MCA = appraised home value or HUD lending limit, whichever is less
- Mortgage Insurance Premium – 2% of MCA or home's appraised value, whichever is less
- Common 3rd party closing costs
 - » Credit report fee
 - » Flood certification fee
 - » Settlement or closing fee
 - » Recording fee
 - » Courier fee
 - » Survey
 - » Pest inspection
 - » Title insurance
- Appraisal fee of \$300 - \$500 is typically the only out-of-pocket expense

Mortgage Insurance Premium

- Provides two key consumer protections:
 - » Guarantees borrower will continue to receive proceeds if lender defaults
 - » Guarantees borrower will never owe more than the value of the home at the time of repayment
- All costs, including MIP, can be financed

Loan Repayment

- Outstanding loan balance due and payable when last surviving borrower moves, sells the home, or passes away
 - » Borrower does not continue to maintain, insure, and pay property taxes on the property
- If the balance on the loan exceeds the appraised value at the time of sale, HUD will make up the shortage from the general insurance fund = Non-Recourse Limit
 - » Protects estate and heirs from any deficiency judgments
 - » Heirs or estate keep any excess proceeds from the sale of the home

Effect on Public Benefits

- Tax-free loan proceeds are not treated as income
- Social Security and Medicare benefits are not affected
- Benefits for means-tested programs may be affected
 - » Income from annuity stream may be treated as income by SSI, Medicaid, and other programs
 - » Loan advances retained in bank account, for example, past the end of the month received considered a “liquid resource”

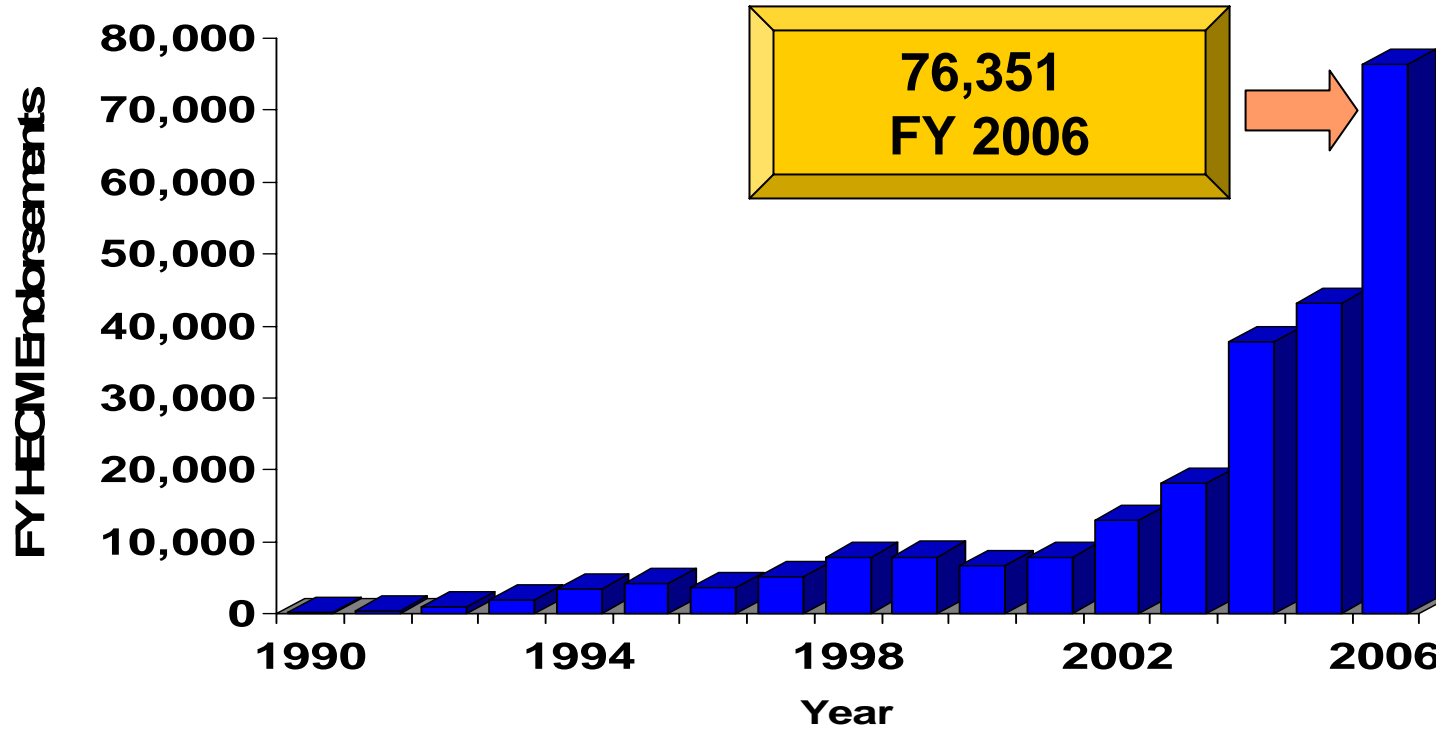
Consumer Safeguards

- Standard & Capped Interest Rates
- Limitation on Fees
- Advance Disclosures
- Independent Counseling
- No Maturity Date
- No Prepayment Penalty
- Three Day Right of Rescission
- No Shared Appreciation
- Asset Protection

Common Uses of Proceeds

- No lender or investor restrictions on how tax-free proceeds may be used
- Common uses include:
 - » Reducing high-interest debt
 - » Supplementing retirement income
 - » Remodeling or repairing the home
 - » Paying property taxes
 - » Covering healthcare expenses
 - » Planning for long-term care needs
 - » Purchasing a second or vacation home

The Right Business at the Right Time



Key Market Drivers

- The Boomers Are Coming! The Boomers Are Coming!
 - » Sandwich Generation responsible for both children and parents/grandparents
 - » Changing traditional view of retirement – working longer and exploring new careers
 - » Fear of illness and rising costs of healthcare
 - » Less adverse to debt
 - » See home as asset to be leveraged

Key Market Drivers, cont.

- Overcoming popular misperceptions – thanks to industry and media efforts to provide accurate information to the public
- Acceptance of program by trusted advisors as not merely a “last resort” but a critical consideration for one’s retirement plan
- Growth of Aging In Place industry
 - » National Council on the Aging (NCOA) Report – “Use Your Home to Stay at Home™”
 - » National Association of Home Builders (NAHB) interest
 - » Aging In Place Week – www.seniorsafehome.com and www.naipc.org

Cracking the Retirement Code

- 35% of retirees surveyed have used, or are considering using, a Reverse Mortgage to fund retirement expenses
- 43% of retirees surveyed underestimated their retirement spending needs
- “To effectively serve the next generation of retirees, financial firms must consider home equity.”
- http://www.mckinsey.com/client-service/banking-securities/latest-thinking/retirement.asp?cm_re=Dotcom--Highlights--Retirement

National Reverse Mortgage Lenders Association (NRMLA)

- Serves as educational resource, policy advocate, and public affairs center for reverse mortgage lenders and related professionals
- Enforces NRMLA Code of Conduct & Best Practices

“Longer life expectancies, spiraling costs of living and health care as well as the oncoming rush of people reaching their 60’s presents states with dilemmas funding Medicaid and other programs for the elderly. “I’m concerned that people are going to need a *second income* in order to retire”

– Alabama Gov. Bob Riley