




## Education: The Key to a Successful Reverse Mortgage



### Challenges for seniors



- **Seniors in general**
  - Belief that retirement = lower standard of living
  - Anxiety over funding retirement
  - Living longer than ever before
  - Majority of wealth in homes
- **Baby Boomers**
  - First members turn 62 years-old in 2008
  - One of the largest segments of American population
  - Three main sources of retirement income at risk
    - Private pensions
    - Individual savings
    - Social security
  - 37% of Boomers will work into retirement because of financial need (*The New Retirement Survey*, Merrill Lynch)




### Goals of seniors



- **Financial security/stability**
- **Maintain lifestyle**
- **Repair/upgrade home**
- **Begin second career**
  - Training
  - Income supplements
- **Create legacy**
- **Distress relief (current mortgage payment)**



What makes a reverse mortgage unique?

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- **Non-recourse loan.**
    - Lender is limited to sale of property to repay loan.
      - No deficiency judgments
  - **Must be on principal residence.**
    - No repayment as long as property is principal residence
  - **No income or credit qualifications**
  - **No repayment until a condition for repayment occurs**
    - Borrower no longer occupies home as principal residence;
      - Or leaves residence for period longer than 12 months
    - Sale of the property; or
    - Death of all borrowers.



### Uses of reverse mortgages



- **Supplement retirement income**
  - Temporary – If a pension begins at a certain age
  - Permanent – Tenure payments
- **Home repairs**
- **Investment**
- **Increase cash flow**
  - Refinancing existing mortgage
  - Debt Reduction Act of 2005
  - Lost tax deduction
- **Consider implications of other options**
  - Tax consequences
  - Qualification for other programs
  - Borrowers should consult with professionals to discuss options – attorney, accountant, financial planner



**Compliance concerns**



- **Regulatory framework still in infancy stage**
- **Check various state laws:**
  - Some states have enacted comprehensive legislation
    - North Carolina, Tennessee, New York
  - Some states merely mention
    - Illinois and California
  - Predatory lending laws, need-based public assistance programs, tax deferrals
    - Most states exempt reverse mortgages, and proceeds, from these types of laws

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