

HOME EQUITY 6 A VALUABLE RESOURCE FOR AGING IN PLACE

DID YOU KNOW?

Under U.S. law senior homeowners age 62+ are entitled to apply for a government-regulated, federally-insured program known as the Home Equity Conversion Mortgage (HECM). The HECM program was created by an act of Congress, signed into law by the President, and designed for the protection of senior homeowners to allow them to age in place during their retirement years.

WHAT IS HECM?

HECM, known as the new reverse mortgage, is the de-facto standard for reverse mortgages - a much improved version of the private products dating back 50 years. Simply stated, HECM allows seniors to access their home equity through a unique loan program requiring NO monthly repayment.⁻¹

It is the only mortgage designed specifically for the benefit and protection of senior homeowners and their heirs. While traditional mortgages such as Conventional, FHA, VA and Home Equity Line of Credit are popular loan products they are not best suited for seniors as compared to HECM.

WHY USE HECM?

In 1989 the federal government recognized that providing safe, affordable access to home equity for retirees is good public policy and, accordingly, Congress enacted legislation to create the HECM program to meet the age in place goal of many seniors.

Recently, financial advisors have concluded that home equity (often overlooked) is a valuable asset⁻², much like savings and investment accounts, which can be used for funding longevity of their retirement resources.

Further, HECM distributions are tax-free⁻³ and can be flexibly structured to suit a senior's need in the form of lump-sum or periodic payments, or an open line-of-credit option. Also, HECM proceeds do not affect Social Security, Medicare or other earned retirement benefits.

WHO QUALIFIES?

Senior homeowners age 62+ occupying their principal residence may apply. Your home does not need to be mortgage-free at the time of HECM application. Individual, joint deeds and trusts are allowed. With HECM title never changes and seniors always remain on the deed and in full ownership, just like any other mortgage.

WHAT ARE FEATURES & BENEFITS?

<u>FEATURE</u>	<u>BENEFIT</u>
No monthly payment required ⁻¹	Preserve your cash flow
Guaranteed as long as you live in home	Never rescinded or revoked
Tax-free distributions	Lump sum, periodic, credit line, combo
Government regulated & insured	Allows seniors to ñage in placeö

WHAT CAN HECM DO FOR YOU?

Here are some popular HECM uses, but not a complete list. The program is quite flexible and can provide many creative solutions to both financial challenges and planning strategies of senior retirees.

- 1) Payoff existing mortgage, saving your monthly payment.
- 2) Open a line of credit eight times better than traditional Home Equity Line of Credit.
- 3) Payoff credit cards.
- 4) Pay rising monthly expenses.
- 5) Pay medical costs, deductibles, premiums.
- 6) Provide in-home care.
- 7) Make home improvements/repairs.
- 8) Pre-pay funeral expenses.
- 9) Purchase a new home.
- 10) More.

HAVE YOU CONSIDERED HECM?

As an eldercare professional and provider of senior goods and services do you perform qualifying procedures or offer financial advice to prospects?

Do you offer your services primarily based upon a prospect's access to benefits? Do you assist clients in obtaining financial aid or benefits? Are you giving seniors what they ñqualify forö or what they want?

When reviewing ñself-payö options do you limit your discussion to only savings and investment accounts?

Do you inform prospective clients of their rights and benefits under the HECM program? Based upon your eldercare professional role have you met applicable fiduciary obligations⁻⁴ when discussing a senior's financial resources? Are you giving proper advice and presenting all options?

CALL TO ACTION: RESOURCES

For the benefit of seniors, and for your own protection, it may be useful to provide clients with HECM information along with other financial payment options at your initial meeting (see your legal advisor). You can obtain current factual information from an FHA-authorized HECM lender and your local reverse mortgage specialist. In addition, here are some references.

U.S Department of Housing and Urban Development (HUD)

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/rmtopten

National Council on Aging (NCOA)

<https://www.ncoa.org/economic-security/home-equity/reverse-mortgages/>

AARP Public Policy

<http://policybook.aarp.org/the-policy-book/chapter-11/subsub070-5-1.3091914>

National Reverse Mortgage Lenders Association (NRMLA)

<http://www.reversemortgage.org/Your-Roadmap>

Neighborhood Housing Services of Greater Cleveland (NHSGC)

<https://www.nhscleveland.org/financial-security/reverse-mortgage-counseling/>

Brooker Financial Corp.

<http://www.brookerfinancial.com/PageContent.aspx?PageID=54>

SUBMITTED.

~Joseph Wolf. [NMLS:489488 / OH.LO.041089.000]

Reverse Mortgage Specialist

Brooker Financial Corp. [NMLS:235766 / MB.803816.000]

10749 Pearl Road, Suite 2-D

Strongsville OH 44136

(866) 537-2476

jwolf@brookerfinancial.com

www.brookerfinancial.com

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FOOTNOTES.

1-No monthly mortgage payment.

Loan must be repaid when the last remaining borrower leaves the home. Borrowers must continue to pay property taxes, homeowners insurance, homeowner association fees; comply with loan terms.

2-Financial asset.

<http://www.finra.org/investors/alerts/reverse-mortgages-avoiding-reversal-fortune> ; AND

<https://www.onefpa.org/journal/Pages/MAY14-HECM-Reverse-Mortgages-Now-or-Last-Resort.aspx>

3-Tax-free distributions.

See your tax advisor.

4-DOL Fiduciary Rule.

<https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/dol-final-rule-to-address-conflicts-of-interest> ; AND

<http://cfp.net/public-policy/public-policy-issues/fiduciary-standard>; AND

<http://www.consumerfinance.gov/about-us/newsroom/cfpb-releases-guides-for-managing-someone-elses-money/>