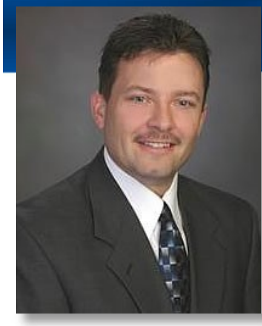

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Reverse Mortgages

The Golden Stage of Life

Introduction

Until recently, seniors 62 years of age and older have not had the best of choices when it came to getting cash from their homes. Traditional home loans only offered the option of either selling one's house or borrowing against its equity. Obviously, this meant moving into a new home or taking on monthly repayments; not exactly the most appealing choices for those who have put down permanent roots.

Take for example Doug and Sharon Jones, a couple in their late 60's who have called their place home for over 30 years. After nearly 15 years of enhancements and home improvements, Mr. and Mrs. Jones are looking forward to spending the rest of their lives in that house, uprooting is the last thing they want to do.

Now, with all of their financial investments behind them, Doug and Sharon have decided they would like to spend some time traveling the world. They are also interested in finding a way to generate extra income in order to supplement their retirement and pay for the cost of prescription medications.

Tax−Free Income

With reverse mortgages coming on the scene, Mr. and Mrs. Jones now have some appealing cash−flow alternatives that they didn't have before. These loan plans will allow the couple to convert their home equity into tax−free income* without having to sell their current home or take on new monthly mortgage payments. They can also receive cash payments and credit lines without incurring monthly payments or having an existing income; nice options traditional home loans do not offer.

For seniors and maturing Baby Boomers, the idea of staying put while collecting monthly advances can be very attractive. Many of them have no desire to relocate. Instead, they prefer cash advances to pay off debts, improve and repair their homes, or travel the world.

Add to this not having to pay the debt until a future time and having no monthly payments, and a reverse mortgage becomes the ideal option for those in their golden years.

* We strongly recommend consulting your tax advisor when choosing a reverse mortgage plan.

A Senior Moment

In order to apply for a reverse mortgage you must be 62 years of age or older. All owners who are on the title deed must meet this age requirement, as well as apply for and sign the loan agreements. Lastly, the home must remain the applicants' principle place of residence.

One of the most attractive benefits of a reverse mortgage is there are no income or medical requirements to meet in order to qualify. Because you end up receiving money instead of paying monthly payments, income plays no part in your eligibility for a reverse mortgage.

Single family residences are most commonly eligible for reverse mortgages, although some programs do accept other types of property, such as manufactured houses and condominiums. The only exception would be mobile homes and co−ops, which generally do not qualify for reverse mortgages.

Pre−Mortgage Counseling
In order to ensure that homeowners are fully aware of the financial ramifications of obtaining a reverse mortgage, you must undergo counseling with an unbiased third party before completing a loan. **HUD** and **AARP** oversee a network of counselors who can provide this service, and it should be offered for a nominal fee or at no charge.

We specialize in developing loan programs for mature borrowers. Our staff is dedicated to helping you obtain the reverse mortgage plan that will be most valuable for your golden years. Give us a call now to get started!

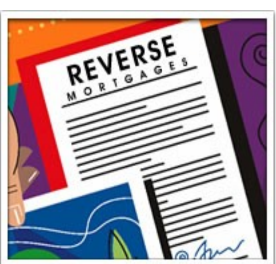
About Face – How Reverses Work

Reverse mortgages are probably best understood when compared side–by–side with a traditional home mortgage, otherwise known as a "*forward*" mortgage. The following table shows the differences between the two mortgages:

FORWARD MORTGAGE	REVERSE MORTGAGE
Uses income to pay debt	Uses home equity to get cash or credit
Monthly mortgage payments	No payments; debt is paid when the borrower dies, sells the home, or moves
Falling debt, rising equity	Rising debt, falling equity

As you can see, both loans incur debt against your home and both affect equity, but they do so in very different ways. For a traditional home mortgage, you would be making monthly payments to a lender. With a reverse mortgage, they will make the payments to you. In essence, the two loans work the complete opposite of one another.

A Plan of a Lifetime

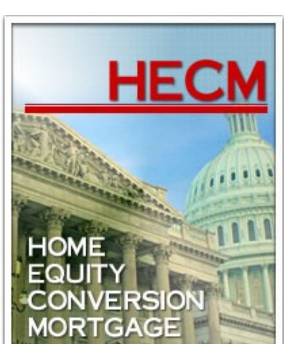


There are basically three different reverse mortgage plans being offered today: Uninsured, Lender–Insured, and FHA–Insured.

Uninsured. This type of reverse mortgage differs dramatically from an FHA–Insured or Lender–Insured loan. With this plan, you will receive monthly loan advances for a fixed term only – the number of years you select when you first take out the loan. The second important difference to note with an uninsured loan is that it will be due on a specific date. This type of reverse mortgage is best suited for short–term, substantial cash needs.

Lender–Insured. This type of reverse mortgage offers monthly loan advances with or without a line of credit, for as long as you live in your home. This type of plan typically offers larger loan amounts than an uninsured or FHA–Insured plan would. You may also be allowed to mortgage less than the full value of your home, thus preserving your equity for later use.

Home Equity Conversion Mortgage – The Federally Insured Loan.
The third and most common type of reverse mortgage is the Home Equity Conversion Mortgage, otherwise known as HECM. This is the only reverse mortgage program that is federally insured and backed by the U. S. Department of Housing and Urban Development (HUD).



Home Equity Conversion Mortgages have some very attractive features that make them a popular choice among borrowers.

Here are a few:

- **Choose your own interest rate.** The Home Equity Conversion Mortgage (HECM) is the only reverse mortgage that lets you choose your own interest rate. You can select one that changes annually or one that changes every month.
- **Several payment options.** You may receive monthly loan advances for a fixed term or for as long as you live in the home. You may also choose to receive a line of credit, or you may combine monthly loan advances with a line of credit. An HECM also permits you to change your payment options at little cost.
- **Can be used for any purpose.** Unlike many other reverse mortgages, a Home Equity Conversion Mortgage does not require a borrower to designate the loan to one specific use. Instead, you may apply the funds to anything you choose.
- **Protection.** Most important of all, this plan protects you by guaranteeing continued loan advances even if your lender defaults.

Once we determine that a reverse mortgage is right for you, we will then decide which type would best suit your financial needs. This is step two in our action plan of providing you with the right mortgage. Call us now to get started!

What Does a Reverse Mortgage Cost?

In addition to not having any payments or having to qualify for the loan, reverse mortgage interest rates are typically lower than those for traditional home equity loans. This is another valuable benefit for those considering a reverse mortgage.

The loan fees and costs incurred in obtaining a reverse mortgage can typically be offset by the money you receive from the loan. These costs will be added to the balance of the loan and must be repaid with interest once the loan terminates.

Total Annual Loan Cost (TALC)
In order for borrowers to gain a better understanding of the true cost of reverse mortgages, the federal Truth–in–Lending (TIL) law requires lenders to disclose what they call a "Total Annual Loan Cost" for the loan, also known as TALC. TALC displays the total transaction cost over the life of the loan. This makes seniors fully aware of the cost of incurring the loan. The TALC is also extremely helpful when comparing various types of reverse mortgages.

Debt Limit
Reverse mortgage debt is determined by adding all of the loan advances (this includes those used to pay off prior debt or finance the loan costs) plus the interest on your loan balance. In the end, if that total amount equals less than the value of your home when you repay the loan, then you will end up keeping the remaining amount.

Should the balance of your loan ever grow to equal or exceed what your home is worth, then your total debt will be limited by that value; you can never be required to repay more than what your home is worth when the loan comes due. That simply means if today's lofty housing prices start to decline, you won't be responsible for paying back a larger amount.

Repayment

Reverse mortgages do not require any payment as long as the borrower(s) remain in the home. Should the borrower(s) become deceased, sell the home, or relocate, then the loan will be due in full, along with interest and any additional costs. In the event there are two borrowers on the loan and one should pass away, the loan would not yet be due since one of the borrowers still occupies the house.

Although reverse loans are not due until one of the above−listed criteria changes, they *may be repaid at any point* without incurring penalties or additional fees.

How Would You Like Your Money?

The amount of money you receive from a reverse mortgage will depend on several things including the plan you select, the type of cash advances you choose, your age, and the value of your home. Typically, the older you are, the more equity you will have in your home. This is why more mature borrowers typically receive greater loan amounts.

There are several ways that you can receive money from a reverse mortgage. Some programs may even allow you to combine the choices. Here is a list of five different options to choose from:

- **Tenure** − Equal monthly payments as long as at least one borrower is living and continues to occupy the property as a principal residence.
- **Term** − Equal monthly payments for the fixed period of months you have selected.
- **Line of Credit** − This would be used in the same way as a credit card or checkbook. You would receive unscheduled payments or installments at the times and amounts you have selected. This will continue until the line of credit is exhausted.
- **Modified Tenure** − A combination of a line of credit and monthly payments for as long as you continue to live in the home.
- **Modified Term** − This combination of a credit line and monthly payments differs from the plan above in that it is based upon a fixed period of months that you have chosen.

Our loan specialists will help you select a plan that will be most beneficial to your financial needs. Call us now to discuss your options!

Advantages of Moving in Reverse

A reverse mortgage can help you gain financial independence and maintain an adequate standard of living all without having to leave your current home. In addition to this, the money you receive from a reverse mortgage is **tax−free** and, depending upon the type you choose, may be used for a variety of purposes.

Besides the traditional uses of a loan, such as paying off old debt or making home improvements, here are some other ways borrowers are utilizing their tax−free income:

- **Traveling and taking vacations**
- **Obtaining in−home healthcare**
- **Paying for prescription medications**
- **Supplementing retirement**
- **Purchasing an annuity**
- **Paying for grandchildren's educational expenses**

However you choose to use the income, reverse mortgages provide you with the freedom to do so without added financial stress.

Should I Stay or Should I Go?

Most homeowners generally choose reverse mortgages so that they can remain in their current homes. The best way to decide if a reverse mortgage is for you is to compare it to the alternative of selling your house. When you make this evaluation, ask yourself these three questions:

1. *How much cash can I get by selling my home?*
2. *How much will it cost to buy or rent a new place?*
3. *Is it worth the move at this point in my life, or are there other things I'd prefer to do with the money?*

We will help you fully understand the benefits of staying in your current home. Perhaps you'll confirm what you knew all along: that where you now live is the best place to be. Give us a call now!

We lend in the following states: Virginia, North Carolina, and South Carolina. Licensed State Corporation Commission VA #MB−3416, Licensed NC Mortgage Broker # B136257−101, Licensed SC # MB−0627100−0627102