Enhance Your Financial Security

With a Home Equity Conversion Mortgage

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Unlock Your Home's Equity

Unlocking a portion of your home's equity through a Home Equity Conversion Mortgage (HECM), also known as a reverse mortgage, may be able to help you transition into the retirement lifestyle of your choice.

Explore Your Options

Whether you are planning on retiring soon or have already started retirement, take a moment to think about how you envision your retirement lifestyle. Even if you have planned, saved and invested carefully, you may have fewer funds than you had expected to meet your goals. Now is the time to consider all of your financial options and make the right decisions for your future.

Option	Pros	Cons
1. Delay retirement or return to work	You continue earning income to pay for your financial obligations.	You may be unable or unwilling to continue working because of poor health or other reasons.
2. Sell your house and downsize	You eliminate or reduce your current mortgage payment and maintenance.	You may want to stay in your current home. You may still have a mortgage. Closing costs add to your financial burden.
3. Obtain a home equity loan or refinance your existing mortgage	You remain in your home. You may be able to lower your monthly mortgage payments and even pay off other debts.	You must still pay your monthly mortgage, plus closing costs for the equity loan.
4. Decrease expenses and modify your lifestyle	You eliminate unnecessary expenses and reduce your monthly cash outflow.	It may be difficult to cut back if you are already living frugally, or you may not want to sacrifice some comforts.
5. Obtain a Home Equity Conversion Mortgage (HECM)	You access the equity in your home to pay off your mortgage and may have additional funds for expenses or financial goals. A HECM loan also allows you to remain in your home.[1]	The loan balance grows over time and the value of your estate may decrease over time, plus most HECM products have closing costs.

1 You must live in the home as your primary residence, continue to pay required property taxes, homeowners insurance and maintain the home according to Federal Housing Administration requirements. Failure to meet these requirements can trigger a loan default that may result in foreclosure.

A HECM Loan Defined

A Home Equity Conversion Mortgage (HECM), commonly known as a reverse mortgage, is a Federal Housing Administration (FHA) insured loan[1] which enables you to access a portion of your home's equity without having to make monthly mortgage payments.[2] If you are 62 years of age or older and have sufficient home equity, you may be able to get the cash you need to:

- Pay off your existing mortgage[2]
- Continue to live in your home and maintain the title[2]
- Pay off medical bills, vehicle loans or other debts
- Improve your monthly cash flow
- Fund necessary home repairs or renovations
- Build a "safety net" for unplanned expenses

A Few of the Loan Benefits[2]

- Eliminates your existing monthly mortgage payments[2]
- You can stay in your home and maintain the title[2]
- Loan proceeds are not taxed as income or otherwise and can be used any way you choose[2]
- Heirs inherit any remaining equity after paying off the HECM loan
- The HECM loan is FHA insured[1]

> *"It has made things easier. When I need money it is there. I couldn't be happier with my decision."*
>
> – Jane C.

[1] Federal Housing Administration (FHA) mortgage insurance premiums (MIP) will accrue on your loan balance. You will be charged an initial MIP at closing. The initial MIP will be 2% of the home value not to exceed $13,593. Over the life of the loan, you will be charged an annual MIP that equals .5% of the outstanding mortgage balance.

[2] Your current mortgage, if any, must be paid off using the proceeds from your HECM loan. You must still live in the home as your primary residence, continue to pay required property taxes, homeowners insurance, and maintain the home according to FHA requirements. Failure to meet these requirements can trigger a loan default that may result in foreclosure.

Eligibility

To be eligible for a HECM loan, some key requirements are:

- The youngest borrower on title must be at least 62 years of age
- You must live in your home as your primary residence and have sufficient equity
- You must be able to pay off your existing mortgage using the HECM loan proceeds
- Live in a single family, two-to-four unit owner-occupied home, townhouse, approved condominium or manufactured home
- Must meet financial eligibility criteria as established by HUD

Obligations

Once you obtain your HECM loan, you must continue to meet the following conditions to maintain your loan in good standing.

- Maintain your home according to FHA requirements
- Continue to pay property taxes and homeowners insurance
- Continue to own and live in your home as your primary residence

The loan becomes due and payable if you fail to meet any of the above obligations or the last borrower or non-borrowing spouse passes away. The heirs must repay the loan in order to inherit the property. Failure to repay the loan may result in foreclosure.

Types of Loans

There are two types of Home Equity Conversion Mortgage (HECM) loans. It is important to select the one that best meets your needs.

HECM Loan

The HECM is available as either an adjustable- or fixed-rate loan. With the adjustable rate, the rate is adjusted monthly or annually based on the LIBOR (London Inter Bank Offered Rate). The fixed-rate HECM maintains the same interest rate over the life of the loan.

HECM for Purchase Loan

The HECM for Purchase can help homeowners buy their next home without having to make monthly mortgage payments. This loan enables homeowners to use the equity from the sale of a previous residence to buy their next primary home in a single transaction with one initial investment (down payment).

Determining Your Proceeds

The amount of funds available, also known as the Principal Limit, from a HECM loan is determined by:

- Age of the youngest borrower on title or eligible non-borrowing spouse
- The lesser of the appraised value of your home, sale price or the FHA national lending limit
- Current interest rates
- Balance of your existing mortgage, if applicable, and all mandatory obligations as defined by the HECM requirements

The funds available to you may be restricted for the first 12 months after loan closing, due to HECM requirements. You may need to set aside additional funds from the loan proceeds to pay for taxes and insurance. Consult a Liberty advisor for detailed program terms.

> *"It will be going on two years now since we got a HECM. I have just been so relieved that all of my bills are paid off. I have a fair amount of money in my savings, and I am secure."*
>
> *- Gary T.*

Disbursement Options

With a fixed rate HECM loan, you can receive the cash in a lump sum. With an adjustable rate HECM loan, you can select:

Tenure

Equal monthly payments

Term

Equal monthly payments for a fixed period of months selected by the borrower.

Line of Credit

Unscheduled payments or installments, at any time and in an amount of your choosing until the line of credit is exhausted.

Modified Tenure

Combination of line of credit plus scheduled monthly payments

Modified Term

Combination of line of credit plus monthly payments for a fixed period of months selected by the borrower.

Lump Sum (Only available on a fixed-rate)

A single payment.

Borrowers may access the greater of 60 percent of the principal limit amount or all mandatory obligations, as defined by the HECM requirements, plus an additional 10% during the first 12 months after loan closing. The combined total of mandatory obligations plus 10% cannot exceed the principal limit amount established at loan closing. Consult a Liberty advisor for further details.

Our 5-Step Loan Process

We provide an easy 5-Step Process to obtain a HECM loan.

1 Meet with an Advisor by phone or in person to discuss your financial needs and goals.

2 Decide if a HECM loan is right for you. If so, complete the application with the help of an Advisor.

3 Speak with an Independent, third-party, HUD-approved counselor.

4 Obtain a property appraisal to determine the value of your home. This is a key factor in determining how much money you may qualify for as a loan.

5 We will process your paperwork and determine your eligibility. Once all loan conditions are met, you will sign the final paperwork to close your loan. You can recieve your loan proceeds any way you choose – a lump sum,[1] monthly check, a line of credit, or any combination of these options. In addition, any outstanding liens on your property will need to be satisfied at this time.

[1] Only available on a fixed-rate loan

Once your loan funds and all existing mortgages and fees are paid, you are free to choose how you want to spend the remaining loan proceeds. This could include anything from paying off other debt(s), funding medical expenses, stretching your retirement savings, remodeling your home or building a "safety net"; spend it however you like.

Safeguards

A HECM loan has built in safeguards that protect you and the home.

Federal Housing Administration (FHA) Insured[1]

HECM loans are FHA insured[1]. You are always protected against lender insolvency and can expect to receive your proceeds.

Mandatory Mortgage Insurance

HECM loans are required by U.S. Department of Housing and Urban Development (HUD) to charge a mandatory mortgage insurance.[1] This insurance protects the borrower and their heirs in the event the loan balance is higher than the home's value at the time of sale.

Independent Counseling

Independent counselors which are approved by HUD provide you with objective information, and help you understand the process.

Capped Interest Rates

If your loan has an adjustable interest rate, there is a limit on how much some interest rates can change during a specific period of time.

Full Disclosure of Costs

Lenders are required to disclose your projected loan costs and fees upfront through a loan estimate.

Three Days to Cancel

After signing your loan paperwork, you have three business days to cancel the loan. This "Right of Rescission" applies to the HECM for Refinance Product, but does not apply to the HECM for Purchase loan.

[1] Federal Housing Administration (FHA) mortgage insurance premiums (MIP) will accrue on your loan balance. You will be charged an initial MIP at closing. The initial MIP will be 2% of the home value not to exceed $13,593. Over the life of the loan, you will be charged an annual MIP that equals .5% of the outstanding mortgage balance.

Frequently Asked Questions

Do I still own my home?

Yes. You will retain the title and ownership during the life of the HECM loan, and you can sell your home at any time (at which time the loan becomes due and payable). The loan will not become due as long as you continue to meet loan obligations such as living in the home as your primary residence, maintaining the home according to the FHA requirements, and paying property taxes and homeowners insurance. Failure to meet these requirements can trigger a loan default that may result in foreclosure.

Does my home need to be clear of any existing mortgages in order to qualify?

No. Actually, many borrowers use the HECM loan proceeds to pay off an existing mortgage and eliminate monthly mortgage payments.[1]

Do I have to repay the loan?

Yes, eventually. However, repayment is not due during the life of the loan provided you meet the loan obligations such as living in the home as your primary residence, maintaining the home according to FHA requirements, and continuing to pay required property taxes and insurance. Repayment is limited to the lesser of the value of your home or the loan balance, provided the home is sold.

[1] You must still live in the home as your primary residence, continue to pay required property taxes, homeowners insurance, and maintain the home according to FHA requirements. Failure to meet these requirements can trigger a loan default that may result in foreclosure.

Frequently Asked Questions *(continued)*

Do I have to make monthly mortgage payments?

No. Unlike a traditional home mortgage loan or equity loan, you do not make monthly mortgage payments, and any existing mortgage will be paid off using the loan proceeds.[1]

What are the options for receiving my proceeds?

You can receive your money in a lump sum,[2] a monthly check, a line of credit or a combination of these options.

Do I have to pay income taxes on the proceeds?

No. HECM loan proceeds are not taxed as income or otherwise (though you must continue to pay required property taxes). However, it is recommended that you consult your financial advisor and appropriate government agencies for any effect on taxes or government benefits.

Is the use of my loan proceeds restricted?

No. The net cash proceeds from the HECM loan can be used for any reason. Many borrowers use it to supplement their retirement income, pay off other debt(s), pay for medical expenses or remodel their home.

How much do I have to pay out of pocket?

Costs such as origination fees, third-party closing costs, and FHA mortgage insurance premiums can be financed as part of the loan. However, the borrower must pay out of pocket for certain fees including, but not limited to, the counseling fee, credit report fees, flood certification fees, title insurance costs, and appraisal costs.

[1] You must live in the home as your primary residence, continue to pay required property taxes, homeowners insurance and maintain the home according to Federal Housing Administration requirements. Failure to meet these requirements can trigger a loan default that may result in foreclosure.
[2] Lump sum disbursement is only available on a fixed rate loan.

Does the loan affect my eligibility for Social Security or Medicare benefits?

A HECM loan usually does not affect eligibility for entitlement programs, such as Medicare or Social Security benefits. Some needs based government benefits, such as Medicaid and Supplemental Security Income (SSI), may be affected by a HECM loan. You should consult a qualified professional to determine if there would be any impact to your government benefits.

What is the main difference between a HECM and a HELOC loan?

With a traditional mortgage loan or Home Equity Line of Credit (HELOC), you have to make monthly loan payments. However, with a HECM loan, you do not make monthly mortgage payments.[1]

When will I be required to repay my HECM loan?

The HECM loan will come due when the home is no longer your primary residence. Below are additional examples of situations which would trigger HECM repayment:

- You sell your house or transfer the title to another person
- If you do not occupy your home for a majority of the calendar year[2]
- You do not maintain the home according to FHA requirements
- You do not pay required property taxes and/or homeowners insurance

[1] You must live in the home as your primary residence, continue to pay required property taxes, homeowners insurance and maintain the home according to Federal Housing Administration requirements. Failure to meet these requirements can trigger a loan default that may result in foreclosure.

[2] Calendar year is defined as a minimum of six months plus one day.

About Us

A strong and stable company

Reverse.org is brought to you by Liberty Home Equity Solutions, Inc. (Liberty). Liberty has been committed to helping seniors gain financial freedom through Home Equity Conversion Mortgages (HECMs), and is one of the largest and most experienced HECM lenders in the industry.

Consistent and dedicated service

Liberty has an A+ Better Business Bureau rating and is a member of the National Reverse Mortgage Lenders Association. When you work with us you can expect:

- Dedicated licensed loan professionals
- Competitive pricing and flexible terms
- In-house underwriting and processing
- Live people available during business hours
- Fast and efficient funding

No up-front lender fees

We do not charge any up-front lender fees. All lender processing and loan fees can be financed into the mortgage itself.

Learn more, call:

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See reverse side for licensing information and additional disclosures.

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Home Equity Conversion Mortgage customer testimonials were obtained via a phone survey questionnaire conducted February, 2012 by Liberty with release of survey results and statements authorized by the borrower.

This material is not provided by, nor was it approved by the Department of Housing & Urban Development (HUD) or by the Federal Housing Administration (FHA).