



Optimizing Your Home Financing

It's more than a loan

This is you if...

- ✓ You see the value in working with baby boomer clients
- ✓ You serve more affluent clients, those that pay all cash or make large down payments
- ✓ You would like to increase purchasing power for your clients
- ✓ You and your clients recognize the value in keeping cash available for investments or emergencies
- ✓ You help your clients with their overall real estate strategies, not just facilitate a transaction.
- ✓ You like options and flexibility



A few key concepts

- ✓ **An FHA insured home loan on a primary residence, for borrowers at least age 62**
- ✓ **Monthly mortgage payments are *optional*, but not required**
- ✓ **Borrowers still pay property taxes, homeowner's insurance, and maintain property condition**
- ✓ **Loan becomes due and payable when the home is sold, or the last borrower (or eligible non-borrowing spouse) vacates the residence for 12 consecutive months**
- ✓ **No tax penalty for a withdrawal**
- ✓ **Available as revolving line of credit, with compounding growth**

Redefining Reverse

Case Study Examples

- 1. Downsizing from \$950,000 home to \$600,000***
- 2. Increasing from \$550,000 to \$800,000***
- 3. Comparing income qualification***
- 4. The Reverse Line of Credit***

Keeping Cash on Hand

Scenario: 75 year old

✓ Looking to **downsize** and purchase a **\$600K home**



	Without Reverse for Purchase loan	Power of Reverse for Purchase loan*
Current Home Value (no lien)	\$950,000	\$950,000
Cash Available After Closing (assumes 92% of home sale)	\$ 874,000	\$874,000
Next Home Purchase Price	\$600,000	\$600,000
Reverse Mortgage	N/A	\$328,200 (est.)
Cash Needed To Close (Including est. closing costs)	\$602,000 (est.)	\$291,800 (est.)
Remaining Cash Proceeds from Sale of First Home	\$ 272,000(est.)	\$582,200
Value of Cash in 10 Years at 6% Growth Rate	\$487,110	\$1,042,630

* This example is based on the youngest borrower age 75, FIXED RATE of 3.99%, home purchase price of \$600,000, IMIP of \$12,000, origination fee of \$6,000, and other settlement costs of est \$2,000. HECM Fixed rates are subject to change without notice.

Increasing Your Purchase Power

Scenario: 65 year old sells current home of \$550K looking to **upsize** and purchase a **\$800K home**



	Without Reverse for Purchase loan	Power of Reverse for Purchase loan*
Current Home Value (no lien)	\$550,000	\$550,000
Cash Available After Closing (assumes 92% of home sale)	\$506,000	\$506,000
Next Home Purchase Price	\$800,000	\$800,000
Reverse Mortgage	N/A	\$392,000
Cash available from home sell	\$506,000	\$506,000
Settlement including closing costs	SHORT TO CLOSE \$296,000 (est.)	EXCESS CASH of: 138,000 (est.)
Payments over 10 years	\$159,500	\$0

* This example is based on the youngest borrower age 65, rate of 3.99%, home purchase price of \$800,000, IMIP of \$16,000, origination fee of \$6,000, and other settlement costs of est \$2,000. HECM rates are subject to change without notice. Traditional financing: 30-year fixed at 3.5%.

The Power Of Reverse for Purchase

Scenario:

- ▶ 75-year-old
 - ▶ Owns home free & clear
 - ▶ Sells current home for **\$650K** and nets **\$600K from sales proceeds**
 - ▶ Looking to **upsize to 2000 Sq Ft property**
 - ▶ Purchase a **\$800K home**
- And**
- ▶ Wants to keep monthly payments **at \$0**

	Without Reverse for Purchase loan	Power of Reverse for Purchase loan*
Cash available from home sell	\$600,000	\$600,000
New Home Purchase Price	\$800,000	\$800,000
Reverse Mortgage	N/A	\$434,100
Settlement including closing costs	SHORT TO CLOSE \$200,000 (est.)	\$365,900 Down Payment \$234,100 Cash Remains from current home sale
<i>Assume he get's a Traditional Mortgage with same \$365,900 Down Payment to cover the STC</i>		
Monthly Principal & Interest (new loan – \$434,100 30 yr. term 3% rate)	\$1,830 (est.)	\$0 (payments are optional)
Taxes & Insurance (annual taxes \$7,200 / HOI \$1,200)	\$600 (est.)	\$600 (est.)
Total PITI	\$2,430 (est.)	\$600 (est.)
Income Needed to Qualify (Traditional financing 50% max DTI, Reverse RI)	DTI \$4,860 (est.) (\$2,430 / 50% DTI)	RI \$1,878 (est.) (\$600 TI + \$998 Fam. size + \$280 sq.ft)

- ▶ Potential savings of **\$1830** a month by doing H4P

The Power Of a Reverse Line of Credit

Scenario: 65 year old has a **\$150,000 loan** on a home valued at **\$750,000**, current payments of **\$1,200**

	Current Values	Value in 10 Years
Home Value	\$750,000	\$1,110,183
Total Credit Line	\$361,500	\$561,449
Loan Balance	\$173,000	\$262,221
Available Credit (Liquidity)	\$188,500	\$299,228
Net Home Equity	\$577,000	\$847,962
Annual Cash Flow Increase	\$14,400	\$144,000

* This example is based on the youngest borrower age 65, Monthly Cap 5 of 2.47%, home value of \$750,000, IMIP of \$15,000, origination fee of \$6,000, and other settlement costs of est \$7,973. HECM rates are subject to change without notice.

Is this for you?

Three simple pieces of information:

1. Purchase price or market value of the home
2. Age of the youngest borrower
3. Any unpaid liens if a refinance

Thank You!



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Reverse mortgage loan terms include occupying the home as your primary residence, maintaining the home, paying property taxes and homeowners insurance. Although these costs may be substantial, AAG does not establish an escrow account for these payments. However, a set-aside account can be set up for taxes and insurance, and in some cases may be required. Not all interest on a reverse mortgage is tax-deductible and to the extent that it is, such deduction is not available until the loan is partially or fully repaid. AAG charges an origination fee, mortgage insurance premium (where required by HUD), closing costs and servicing fees, rolled into the balance of the loan. AAG charges interest on the balance, which grows over time. When the last borrower or eligible non-borrowing spouse dies, sells the home, permanently moves out, or fails to comply with the loan terms, the loan becomes due and payable (and the property may become subject to foreclosure). When this happens, some or all of the equity in the property no longer belongs to the borrowers, who may need to sell the home or otherwise repay the loan balance. V2019.04.17

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