Financial Advisor's Guide to Reverse Mortgages

With loans up to $4 million*, leveraging home equity allows clients to use one of their most powerful assets to improve their financial path and take a more holistic approach to retirement.

FINANCE of AMERICA

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*For certain HomeSafe® products only

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Retirement Planning and Home Equity

As one of your clients' most trusted resources, you play an essential role in providing clear direction to shape and plan for the future. Understanding all the options at one's disposal in an ever-changing financial landscape lets you offer a complete perspective, ensuring your clients get the sound advice they need to succeed on their retirement journey.

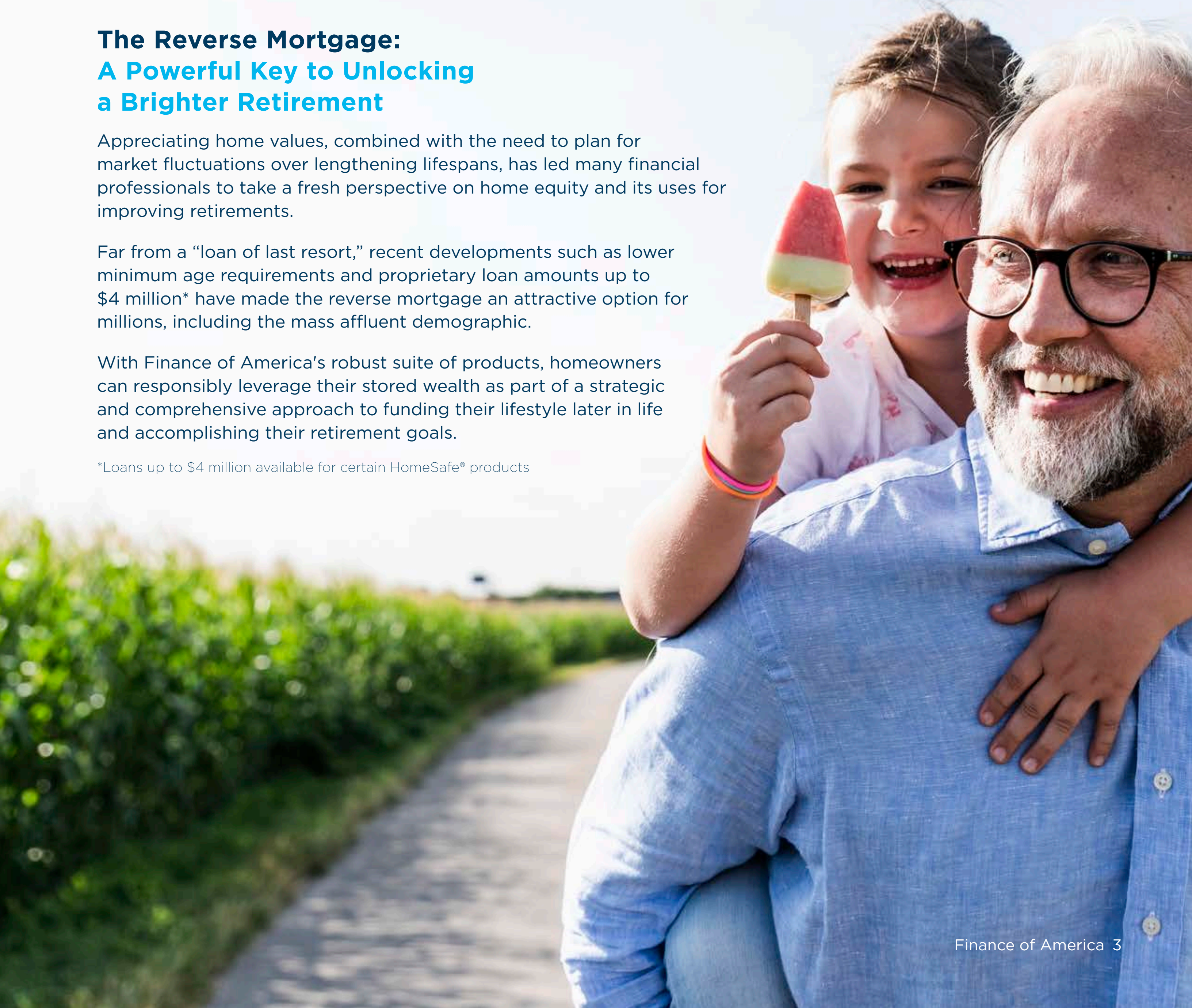
The Reverse Mortgage: A Powerful Key to Unlocking a Brighter Retirement

Appreciating home values, combined with the need to plan for market fluctuations over lengthening lifespans, has led many financial professionals to take a fresh perspective on home equity and its uses for improving retirements.

Far from a "loan of last resort," recent developments such as lower minimum age requirements and proprietary loan amounts up to $4 million* have made the reverse mortgage an attractive option for millions, including the mass affluent demographic.

With Finance of America's robust suite of products, homeowners can responsibly leverage their stored wealth as part of a strategic and comprehensive approach to funding their lifestyle later in life and accomplishing their retirement goals.

*Loans up to $4 million available for certain HomeSafe® products



Why Reverse Mortgages?

With an aging demographic and record levels of accumulated housing wealth, the challenge of funding a decades-long retirement period has led to seismic shifts in the retirement planning landscape.

In reconsidering home equity as its own asset class, **a reverse mortgage might be able to solve several retirement challenges your clients may encounter**, including:

- Funding Long-Term Care
- Minimizing Taxable Income
- Funding Roth Conversions
- Creating a Sequence of Return Strategy
- Improving Cash Flow
- Planning and Preserving Estates

10,000+

HOMEOWNERS AGE INTO REVERSE MORTGAGES EVERY DAY

SOURCE: U.S. CENSUS

What Is a Reverse Mortgage?

A reverse mortgage is a loan exclusively available to homeowners 55+ that converts stored home equity into usable cash.** For many in or nearing retirement, it can be a sensible option for improving cash flow and/or establishing a line of credit for use in retirement.

Borrowers must live in the home as their primary residence, must continue to pay property taxes and insurance, and maintain the home while also upholding all other loan terms. If the homeowner does not meet these loan obligations, then the loan will need to be repaid. Otherwise, the balance is payable at the time the borrower is no longer living in the home as their primary residence. However, because it is a non-recourse loan, this means that you, or your estate, can't owe more than the value of your home when the loan becomes due and the home is sold.

Popular Uses

- Eliminate monthly mortgage payments*
- Supplement retirement cash flow with tax-free funds†
- Pay off higher-interest debt
- Establish a flexible line of credit that grows over time

*The borrower must meet all loan obligations, including living in the property as the principal residence and paying property charges, including property taxes, fees, hazard insurance. The borrower must maintain the home. If the homeowner does not meet these loan obligations, then the loan will need to be repaid.

**For certain HomeSafe products only, excluding Massachusetts, New York, and Washington, where the minimum age is 60, and North Carolina and Texas where the minimum age is 62. | 62 is the minimum age for HECMs

†Not tax advice. Consult a tax professional

Unique Options for Homeowners

HECM

The FHA-insured reverse mortgage for homeowners ages 62+, with loan limits of $1,209,750.

- No monthly mortgage payments*
- Income tax-free loan proceeds†
- Greater financial flexibility
- Stay in your home*

HomeSafe

Our proprietary jumbo loan gives homeowners the same advantages of a HECM while unlocking more home equity and financial flexibility. For eligible borrowers 55+.**

- Loan amounts up to $4 million
- No mortgage insurance premium
- No initial disbursement limitation
- Condominium approval process not required if currently approved by FHA, VA, FNMA, or FOA

HomeSafe SECOND

Our exclusive second-lien reverse mortgage complements low-rate first mortgages and offers access to cash without adding a new monthly bill.*

- Loan amounts up to $1 million
- No mortgage insurance premium
- Fixed-rate, lump-sum distribution
- Preserves the rate and terms of current first mortgages[1]

†Not tax advice. Consult a tax professional
*The borrower must meet all loan obligations, including living in the property as the principal residence and paying property charges, including property taxes, fees, hazard insurance. The borrower must maintain the home. If the homeowner does not meet these loan obligations, then the loan will need to be repaid.
**For certain HomeSafe products only, excluding Massachusetts, New York, and Washington, where the minimum age is 60, and North Carolina and Texas where the minimum age is 62. | 62 is the minimum age for HECMs
[1]Terms and conditions on the first lien loans apply. Must meet combined loan to value requirements based on a satisfactory appraisal.

Comparing Reverse Mortgages to Traditional Loan Products

For clients in or nearing retirement, reverse mortgages may offer key strategic advantages over most traditional loan products to help achieve financial goals.

	Cash-Out Refi	HELOC
Client Goal	Improve liquidity and/or financial flexibility	Pay off higher-interest debt
Traditional Challenge	Strict employment and/or income requirements	Line of credit can be revoked or frozen in volatile market conditions
Reverse Solution	Flexible employment and income requirements can eliminate monthly mortgage payments*	HECM line of credit is protected from market conditions and unused portion can grow over time

Unlocking Client Options With a Reverse

HECM Disbursement Choices

- Line of credit w/ growth
- Monthly installments
- Lump sum
- Combo of all the above

Strategic Uses

- Portfolio preservation
- Improve cash flow
- Fund legacy plans
- Minimize taxable income

Common Client Applications

Reverse mortgages are to fit individual client needs and are a powerful solution for achieving common retirement goals.

Improving Cash Flow

Ruby and Harry are eager to obtain cash from their home equity and travel but also love the interest rate of their current mortgage. With HomeSafe Second, they can use their equity to fund their dreams while keeping their current first mortgage in place.

Age: 73 and 73

Home Value: $900,000

Existing Mortgage: $230,000 at 2.75% Interest Rate

Potential HomeSafe Second Loan: $180,000

*Illustration is for financial professional education purposes only and assumes a borrower age 73 who resides in Colorado with a fixed interest rate of 9.49% and financed fees of approximately 1.27% of the home value. Rate quote generated on 10/24/2024. Rates are rounded to the nearest 0.125% and are subject to change.

The borrower must meet all loan obligations, including meeting all loan obligations under the first lien mortgage, living in the property as the principal residence and paying property charges, including property taxes, fees, hazard insurance. The borrower must maintain the home. If the homeowner does not meet these loan obligations, then the loan will need to be repaid.

Funding Long-Term Care

Emily does not have a long-term care solution and is looking to purchase life insurance with an LTC rider, but the premium is $9,000/year. As an alternative, Emily decides to put a reverse mortgage line of credit on her home to self-fund her needs and avoid a high insurance premium.

Age: 62

Home Value: $600,000

Paid Off Mortgage Balance: $0

Potential Line of Credit: $199,470

Illustration is for financial professional educational purposes only and assumes a borrower aged 62 who resides in Tennessee and an adjustable interest rate, with an initial rate of 6.00% (+0.50% MIP), and financed fees of approximately 3.76% of the home value. Rate quote generated on 10/24/2024. Rates are rounded to the nearest 0.125% and are subject to change.

Purchasing a Second Home

Linda and Steve are looking to purchase a second home to be closer to family but would prefer not to sell their investments and pay capital gains taxes. Instead, they use a reverse mortgage on their current home to unlock the necessary funds without touching their portfolio.

Age: 64 and 65

Home Value: $1,200,000

Potential Loan Amount: $441,533

Paid Off Mortgage Balance: ($100,000)

Remaining Cash Available: $306,966

*Illustration is for financial professional education purposes only and assumes a borrower age 64 who resides in Oregon and an adjustable rate, with an initial rate of 6.00% (+0.50%MIP), and financed fees of approximately 2.88% of the home value. Rate quote generated on 10/24/2024. Rates are rounded to the nearest 0.125% and are subject to change.

The borrowers must maintain the reverse mortgage property as their primary residence.

Is a Reverse Mortgage Right for Your Client?

Unlocking home equity can be a key component to improving retirement. **If you answer yes to any of the following questions** about your client's financial situation, a reverse mortgage may be a sensible addition to their overall retirement strategy.

Risk Management

- Does your client need more protection against long-term care events and/or unexpected expenses?
- Does your client have an existing HELOC, or have you recommended a line of credit?

Home Purchasing

- Is your client considering purchasing a vacation home and/or investment property?
- Does your client need to efficiently own 2 homes without draining invested assets (ex. divorce)?

Note: Borrowers must maintain the reverse mortgage property as their primary residence.

Income & Investing

- Does your client still pay a mortgage?
- Does your client want/need to retire before their social security maximum benefit age?
- Is your client younger than 72, want/need additional income, and holding tax-deferred investments?
- Is your client short on paying the tax on a Roth conversion?

Estate & Legacy Planning

- Is your client interested in legacy planning while still living (ex. charitable donations, trusts, funding grandchildren's education)?

Let's Help Your Clients Succeed

Reach out to learn how Finance of America's innovative home equity solutions and industry-leading customer service can help you strategically improve the retirements of your clients.

Call us:
888-580-6895
Monday – Friday
7am to 4pm Pacific Time

Email us:
strategies@financeofamerica.com

Or visit us anytime:
financeofamerica.com/advisors

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The HomeSafe reverse mortgage is a proprietary product of Finance of America and is not related to the Home Equity Conversion Mortgage (HECM) program. HomeSafe products are only available in certain states. Please contact us for a complete list of availability.

The company does not do business as Finance of America in CA, NM, NY, and OK.

For Reverse Loans: When the loan is due and payable, some or all of the equity in the property that is the subject of the reverse mortgage no longer belongs to borrowers, who may need to sell the home or otherwise repay the loan with interest from other proceeds. The lender may charge an origination fee, mortgage insurance premium, closing costs and servicing fees (added to the balance of the loan). The balance of the loan grows over time and the lender charges interest on the balance. Borrowers are responsible for paying property taxes, homeowner's insurance, maintenance, and related taxes (which may be substantial). We do not establish an escrow account for disbursements of these payments. A set-aside account can be set up to pay taxes and insurance and may be required in some cases. Borrowers must occupy home as their primary residence and pay for ongoing maintenance; otherwise the loan becomes due and payable. The loan also becomes due and payable (and the property may be subject to a tax lien, other encumbrance, or foreclosure) when the last borrower, or eligible non-borrowing surviving spouse, dies, sells the home, permanently moves out, defaults on taxes, insurance payments, or maintenance, or does not otherwise comply with the loan terms. Interest is not tax-deductible until the loan is partially or fully repaid.

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