



1470 WMBD

**Listen to:
Wayne and the Hot
Finance Lady
every Sunday
Morning**

**From 8 to 10 AM on
1470 AM for updates in Mortgage & Financing news!**

Laure Feld CMPS
President

Certified Mortgage Planning Specialist

**April
2008**



A reverse mortgage could make all the difference in your well-being.

Chances are, you've spent a lot of time over the years thinking about your financial future. You've likely made many wise choices and, perhaps, missed out on others. Now may be a good time to step back and reflect on the decisions you've made and reconsider some that you may have overlooked. This is an excellent time to ask yourself a few simple questions:

- > **Is your home in need of repairs or "sprucing up"?**
- > **Have prescription drugs become a major part of your daily life? Has the cost of healthcare caused you to give up other necessities and some of life's small pleasures?**
- > **Have property taxes and homeowner's insurance shot up as well?**
- > **Would some physical changes to your home help you live more comfortably and securely?**
- > **Are there things you would like to do for your family, or yourself, if you just had a little more cash?**



A fast-growing number of seniors are taking care of these and many other financial concerns with a reverse mortgage. An added bonus: By using this innovative financial tool to take the worry out of their Retirement years, their adult "kids" can stop fretting about their parents' well-being. *"Unfortunately there are many seniors – and their adult children – who still aren't aware of this product and its potential benefits,"* says Peter Bell, president of the National Reverse Mortgage Lenders Association.



“They don’t yet know that reverse mortgages can have a dramatic impact on seniors’ quality of life by increasing their income, enhancing their financial security, and letting them fully enjoy their retirement.” With benefits like these, it’s no surprise that reverse mortgages continue to grow by leaps and bounds. In fact, our 2004 year-end total is 19,850 funded loans, which is a 44% increase over 2003.

If you think a reverse mortgage may be just what you need to make you or your Parent’s retirement years more enjoyable, call toll-free **1-866-451-7057**. I’ll give you an estimate of how much tax-free cash may be available to you.

A reverse mortgage goes well beyond a home equity loan to work to your advantage

1. • A reverse mortgage is only available to homeowners 62 years or older.
2. • There are no income qualifications.
3. • The borrowers retain title to the property and can continue to live in and own the home for as long as they choose.
4. • There are no monthly mortgage payments during the life of the loan.
5. • Proceeds are tax-free** and can be used for any purpose; they may be paid out as a lump sum, in monthly payments, as a line of credit, or a combination.*
6. • The loan amount depends on the borrower’s age, appraised value of the home, current interest rates and the type of reverse mortgage selected. It’s good to know that lending limits have just gone up at the beginning of 2005 and interest rates have stayed surprisingly low.
7. • A reverse mortgage isn’t repaid until the borrower moves out of the home

permanently.

8. The repayment amount cannot exceed the value of the home, regardless of the loan balance.
9. • Once the loan is repaid, any remaining equity is distributed to the borrower or the borrower’s heirs/estate. Note: This is great way to reduce the estate tax burden on your heirs.**
10. • The home doesn’t have to be owned free and clear to qualify for a reverse mortgage.

* *Not all products and options are available in all states.* ** *Consult your tax advisor.*



Money doesn’t grow on trees, but it DID GROW as equity in your home. Untapped equity is like having a box of money buried in your back yard. With a Reverse mortgage you can take a shovel and dig up that equity, buried in your back yard, and put it good use to enhance your life TODAY. Retain ownership in your home, and NEVER MAKE MONTHLY PAYMENTS BACK TO THE BANK as long as you live in the home!

How a reverse Mortgage changed the Fletchers' lives

(Note: The details of these stories have been changed to maintain confidentiality, and some compilations are used to accomplish anonymity.)

When Bill and Maggie Fletcher Invited a Reverse Mortgage Specialist into their home a couple of years ago, they didn't know much about reverse mortgages and how

they work. Like many people, Bill and Maggie thought they'd be signing away their home. In addition, they figured they'd have to make monthly Mortgage payments. At their age, they didn't want that. They also thought they would have to pay taxes on the

money they would receive, and that how they used the money would be restricted.

The Fletchers were pleased to learn that these were all myths and misconceptions.

They found that they would retain title to their home. That the loan must only be

paid in full when the last living borrower died, sold the home, or permanently moved

away. And that the total they or their estate would owe could never be more than the

actual value of their home. "We were drawing against the equity in our home," Maggie Fletcher said. "It was like our

home was paying us back." They both liked the fact that the money they received wasn't

considered income, so they didn't have to pay Federal or state taxes on it. Best of all, the Fletchers learned that what they did with the money was up to them. They were able to use it to pay bills, spruce up the house, buy a new car, and help out their grandkids.

Financial Freedom, America's largest provider of reverse mortgages, has a reverse mortgage that suits virtually any need.

To learn more, call
(866) 451-7057 toll-free or visit us
online at:

www.FinanceLady.Net/Reverse.htm

What can you use your reverse mortgage money for? *Just about anything!*

A variety of benefits:

- > Reverse mortgages are non-recourse loans, meaning the borrower can never owe more than the value of the home, regardless of the loan balance
- > Title of the home remains in the name of the borrower; lender is only repaid the loan balance or the home value — whichever is less
- > Borrower retains ownership and occupancy of home
- > Easy access to built-in home equity
- > Tax-free equity release
- > No monthly mortgage payments
- > Cash advances based on borrower's age and home value
- > No income qualification required
- > Lender has no claim on borrower's income or assets other than the value of the home
- > The loan matures when all borrowers have died or moved out of the home — the home is usually sold and the loan is paid

Top Ten Things to Know if You're Interested in a Reverse Mortgage *reprinted from HUD handbook

Reverse Mortgages are becoming popular in America. The U.S. Department of Housing and Urban Development (HUD) created one of the first. HUD's Reverse Mortgage is a federally-insured private loan, and it's a safe plan that can give older Americans greater financial security. Many seniors use it to supplement social security, meet unexpected medical expenses, make home improvements, and more. You can receive free information about reverse mortgages by calling AARP at: 1-800-209-8085, toll-free. Since your home is probably your largest single investment, it's smart to know more about reverse mortgages, and decide if one is right for you!

1. What is a reverse mortgage?

A reverse mortgage is a special type of home loan that lets a homeowner convert a portion of the equity in his or her home into cash. The equity built up over years of home mortgage payments can be paid to you. But unlike a traditional home equity loan or second mortgage, no repayment is required until the borrower(s) no longer use the home as their principal residence. HUD's reverse mortgage provides these benefits, and it is federally-insured as well.

2. Can I qualify for a HUD reverse mortgage?

To be eligible for a HUD reverse mortgage, HUD's Federal Housing Administration (FHA) requires that the borrower is a homeowner, 62 years of age or older; own your home outright, or have a low mortgage balance that can be paid off at the closing with proceeds from the reverse loan; and must live in the home. You are further required to receive consumer information from HUD-approved counseling sources prior to obtaining the loan. You can contact the Housing Counseling Clearinghouse on 1-800-569-4287 to obtain the name and telephone number of a HUD-approved counseling agency and a list of FHA approved lenders within your area.

3. Can I apply if I didn't buy my present house with FHA mortgage insurance?

Yes. It doesn't matter if you didn't buy it with an FHA-insured mortgage. Your new HUD reverse mortgage will be a new FHA-insured mortgage loan.

4. What types of homes are eligible?

Your home must be a single family dwelling or a two-to-four unit property that you own and occupy. Townhouses, detached homes, units in condominiums and some manufactured homes are eligible. Condominiums must be FHA-approved. It is possible for individual condominium units to qualify under the Spot Loan program.

5. What's the difference between a reverse mortgage and a bank home equity loan?

With a traditional second mortgage, or a home equity line of credit, you must have sufficient income versus debt ratio to qualify for the loan, and you are required to make monthly mortgage payments. The reverse mortgage is different in that it pays you, and is available regardless of your current income. The amount you can borrow depends on your age, the current interest rate, and the appraised value of your home or FHA's mortgage limits for your area, whichever is less. Generally, the more valuable your home is, the older you are, the lower the interest, the more you can borrow. You don't make payments, because the loan is not due as long as the house is your principal residence. Like all homeowners, you still are required to pay your real estate taxes and other conventional payments like utilities, but with an FHA-insured HUD Reverse Mortgage, you cannot be foreclosed or forced to vacate your house because you "missed your mortgage payment."

6. Can the lender take my home away if I outlive the loan?

No! You do not need to repay the loan as long as you or one of the borrowers continues to live in the house and keeps the taxes and insurance current. You can never owe more than your home's value.

7. Will I still have an estate that I can leave to my heirs?

When you sell your home or no longer use it for your primary residence, you or your estate will repay the cash you received from the reverse mortgage, plus interest and other fees, to the lender. The remaining equity in your home, if any, belongs to you or to your heirs. None of your other assets will be affected by HUD's reverse mortgage loan. This debt will never be passed along to the estate or heirs.

8. How much money can I get from my home?

The amount you can borrow depends on your age, the current interest rate, and the appraised value of your home or FHA's mortgage limits for your area, whichever is less. Generally, the more valuable your home is, the older you are, the lower the interest, the more you can borrow.

9. Should I use an estate planning service to find a reverse mortgage?

I've been contacted by a firm that will give me the name of a lender for a "small percentage" of the loan? HUD does NOT recommend using an estate planning service, or any service that charges a fee just for referring a borrower to a lender! HUD provides this information without cost, and HUD-approved housing counseling agencies are available for free, or at minimal cost, to provide information, counseling, and free referral to a list of HUD-approved lenders. Call 1-800-569-4287, toll-free, for the name and location of a HUD-approved housing counseling agency near you.

-

10. How do I receive my payments?

You have five options:

- Tenure - equal monthly payments as long as at least one borrower lives and continues to occupy the property as a principal residence.
- Term - equal monthly payments for a fixed period of months selected.
- Line of Credit - unscheduled payments or in installments, at times and in amounts of borrower's choosing until the line of credit is exhausted.
- Modified Tenure - combination of line of credit with monthly payments for as long as the borrower remains in the home.
- Modified Term - combination of line of credit with monthly payments for a fixed period of months selected by the borrower.

Like most Americans, you probably want to stay in your home as you grow older. However, as it gets harder to do things on your own, you may need a helping hand with everyday tasks. It can be costly to pay for help at home, along with home modifications and other health needs. For many people, these added expenses are a real burden. Older Americans often hold onto their home as a nest-egg to deal with financial emergencies. But when that “rainy day” arrives, how do you tap the equity in your home? Some people may tell you to sell the house and move to assisted living or a nursing home. They may not be aware that a reverse mortgage can help you get cash from your home to pay for services while you continue to live at home for as long as you want. Using home equity for a chronic health condition can seem like a good idea. But is it right for you? It is a decision you should consider carefully since the house may be your most valuable financial asset. This booklet will help you understand the benefits and challenges of using home equity to pay for help at home. You should be able to:

1. Decide whether staying at home is right for you.
2. Identify the different financing options that may be available.
3. Know where to go for more information.

In the past, when an older person had difficulty living on their own, it was a signal that it was time to move in with family or go to a nursing home. But for most people this is no longer the case. Today, you can continue to live on your own for many years, even as you grow older and begin to need help with everyday tasks. This is often called “aging in place.” When you develop a chronic health condition such as diabetes, arthritis, or Alzheimer’s disease, aging in place means more than just staying put. You need a place to live that is safe and fits with your abilities. As driving becomes difficult, it is important to have reliable and affordable transportation. A wide range of paid services may be available in your community.

You may also want extra funds for family caregivers or for home modifications (such as a ramp or lift) that can extend the time you can live at home. Americans of all ages value their ability to live independently. But without a plan for aging in place, it can be hard to stay in control of your life. Knowing your health risks and financial options can make a big difference in your ability to stay in a familiar place.

Using A Reverse Mortgage to Stay at Home

Your Home equity can be a useful source of cash to make living at home easier. It can be the “glue” that holds your financial plans together in retirement. Let’s consider the situation of three families who take out a reverse mortgage. They live in a house that is in good repair and worth \$150,000. They own their homes free and clear of any debt.

Scenario #1: Tom and Jill Smith (ages 69 and 65) bought long-term care insurance that will pay for services when they need help with personal care (such as bathing, dressing, or eating) or Alzheimer’s disease. For now they can still manage on their own, but want to add a bathroom downstairs to reduce the strain of climbing the stairs. Based on Jill’s age, the Andersons receive \$74,798 from their reverse mortgage. They take \$20,000 of the loan to install a new bathroom. They keep the rest (\$54,798) in a line of credit. These funds can be used to meet any additional expenses before they become eligible for services under their long-term care insurance policies. This story highlights how people with a chronic condition can have a variety of unmet needs, even with good financial planning. A reverse mortgage can give you extra funds to pay for preventative measures that can reduce the risk of a serious accident.

Scenario #2: Lou Harrison (age 75) relies on community services such as Meals on Wheels and help from a homemaker to live at home. His big concern is his old furnace. He receives \$90,120 from the reverse mortgage and uses \$4,000 to replace the furnace. To get the loan, he also had to spend \$6,000 to replace the old siding and do other repairs. It gives him peace of mind, knowing that his house is fixed and will grow in value over time. He keeps the rest (\$80,120) in a line of credit to pay for extra help as needed, and to get new tires for his car. It can be challenging to pay for all the different things you need to live at home. A reverse mortgage provides added flexibility to the family budget by letting you pay for the things you want when you want them.

Scenario #3: Janet Zibley (age 85) has arthritis, which makes it difficult to manage on her own. She pays a neighbor \$1,000 per month to help around the house. But when she needs more assistance from a home health aide, her monthly bill for services can be over \$3,000. At her age, Janet receives \$106,754 from a reverse mortgage. Her line of credit would cover monthly expenses of \$1,000 for over 12 years, or \$3,000 each month for over 3 years, at the current interest rate. When an unstable health condition disrupts the family budget, it can be easy to come up short when it is time to pay the bills. A reverse mortgage credit line can help you manage cash flow since the money is available when you need it. You only pay interest on the amount that you use.

How Much Money Will be Available to Pay for Help at Home?

The amount that you can borrow is based primarily on the age of the youngest homeowner, the value of the home, the type of reverse mortgage, and the current interest rate. The different types of reverse mortgages. *I specialize in the Home Equity Conversion Mortgage (HECM)*—This program is offered by the Department of Housing and Urban Development and is insured by the FHA. HECMs are the most popular reverse mortgages, representing about 95% of the market.



1470
WMBD

Listen to:
Wayne and the Hot
Finance Lady
every Sunday
Morning
From 8 to 10 AM on
1470 AM for updates in Mortgage & Financing news!

Check out the website for :
Identity Theft Information
Read my Blog
Market update information

American Mortgage Lending, Inc.
3709 N. Sheridan Rd
Peoria, Il 61614
309-688-LOAN 309-688-5626
Illinois Residential Mortgage Licensee 6906
Equal Housing Lender



April
2008

For Expert Mortgage Advice, Call the Finance Lady!
Specializing in Government Guaranteed Mortgage Loans
LAURE@AMLENDING.NET WWW.FINANCELADY.NET
309-688-5568 or Toll Free at 866-451-7057