HIGH VIBE

MORTGAGE TEAM

REVERSE
MORTGAGE GUIDE

About This Guide

This guide provides valuable information about HECM reverse mortgages, their benefits, eligibility requirements, and how to get started. Whether you're looking to supplement retirement income, eliminate a monthly mortgage payment, or plan for future financial stability, a reverse mortgage could be the right solution for you.

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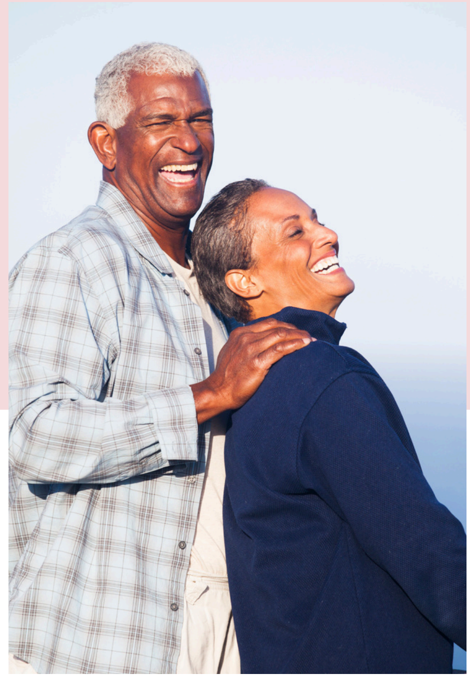
What is a HECM Reverse Mortgage?



A Home Equity Conversion Mortgage (HECM) is a government-insured reverse mortgage that allows homeowners aged 62 and older to convert a portion of their home equity into tax-free cash.

Unlike a traditional mortgage, there are no required monthly mortgage payments—repayment occurs when the homeowner sells the home, moves out permanently, or passes away.

The amount a borrower can receive depends on several factors, including their age, home value, and current interest rates.

HECM loans offer multiple disbursement options, including a lump sum, monthly payments, a line of credit, or a combination of these, giving homeowners flexibility in how they access their funds.

Not 62 quite yet? No worries! While not a HECM, there are proprietary reverse mortgage products that are eligible to 55+.

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Who Qualifies?

To be eligible for a HECM reverse mortgage, homeowners must meet the following criteria:

- Age Requirement: Borrowers must be at least 62 years old at the time of application.
- Home Equity: The homeowner must own the property outright or have at least 50% equity in the home (the estimated value of the home will be researched during the consultation).
- Primary Residence: The home must be the borrower's primary residence, meaning they must live in the property for at least six months and one day per year.
- Financial Obligations: The borrower must be able to continue paying property taxes, homeowners insurance, and any applicable homeowners association (HOA) fees. If not currently up to date, a set-aside fund may be required to cover these expenses. Draws from the line of credit may be used to cover these.
- FHA Property Standards: The home must meet minimum FHA safety, structural, and maintenance requirements. If major repairs are needed, they may have to be completed before final approval. If needed, you may be able to locate a contractor that will accept payment for work at the time of the loan closing.
- Mandatory Counseling: Borrowers must complete a HUD-approved counseling session to ensure they fully understand the loan terms, costs, and obligations.
- Credit and Financial Assessment: While traditional credit scores are not required, lenders will conduct a financial assessment to confirm the borrower's ability to meet ongoing property expenses. Insufficient financial history may require a Lifetime Expectancy Set-Aside (LESA) to cover necessary costs.
- No Delinquent Federal Debt: Borrowers cannot have any outstanding federal debts, such as unpaid taxes or student loans, unless they are resolved before closing.

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Benefits of a HECM Reverse Mortgage

1. Access to tax-free funds without selling your home.

2. No required monthly mortgage payments.

3. Flexibility in how you receive funds (lump sum, monthly payments, or line of credit).

4. Helps supplement retirement income, reducing reliance on other financial resources.

5. The unused portion of a HECM line of credit grows over time, increasing borrowing power for future needs.

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Benefits of a HECM Reverse Mortgage

6 Allows homeowners to stay in their home while utilizing its equity.

7 No personal liability beyond the home's value, thanks to the non-recourse feature.

8 Federally insured program through FHA, ensuring protections for borrowers.

9 Can be used to cover medical expenses, in-home care, or long-term healthcare needs.

10 Heirs have flexible options – they can choose to sell the home, refinance into a traditional mortgage, or return the home to the lender without any financial burden if the loan balance exceeds the home’s value.

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The Loan Process

Consultation	Speak with a High Vibe Mortgage Team expert to determine if a HECM reverse mortgage fits your needs.
Counseling Session	A HUD-approved counseling session is required to proceed. After your initial consultation, you will receive a list of HUD-approved counselors to choose from.
Application & Appraisal	Complete the loan application and get a home appraisal to determine eligibility and loan amount.
Loan Approval & Closing	Once approved, sign final documents, complete any required repairs, and receive funds.

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What Happens When the Loan is Due?

A reverse mortgage loan becomes due when:

- ✓ The borrower permanently moves out of the home.
- ✓ The last surviving borrower passes away.
- ✓ The borrower fails to meet their financial obligations, such as paying property taxes and homeowners insurance.

Heirs have options to:

- ✓ Sell the home and repay the loan balance or 95% of the home's appraised value, whichever is less.
- ✓ Refinance the loan into a traditional mortgage.
- ✓ Pay off the loan balance using other assets.
- ✓ Walk away with no personal liability if the loan balance exceeds the home's market value, thanks to the non-recourse protection.

Scenario 1

- Homeowner: Jane Doe (passed away)
- Property Value (Appraised at Time of Death): $400,000
- Reverse Mortgage Balance: $250,000
- Accrued Interest & Fees: $15,000
- Total Amount Owed to Lender: $265,000

Options for Heirs:

1. Sell the Home – The heirs can sell the home for fair market value. If they sell for $400,000, they pay off the lender's $265,000 balance and keep the remaining $135,000 as their inheritance.
2. Keep the Home – If they want to keep the property, they must pay off the lesser of the loan balance ($265,000) or 95% of the home's appraised value.
   - 95% of $400,000 = $380,000
   - Since $265,000 is lower, they must pay off $265,000 to retain ownership. The $135,000 difference from the appraised value becomes instant equity they keep.

How Can They Pay Off the Reverse Mortgage?

*Use Personal Funds

*Obtain a New Mortgage - The heirs can refinance the property into a traditional mortgage to pay off the reverse mortgage balance.

*Use Other Financing Options – If they do not qualify for a traditional mortgage, they might explore alternative financing like a home equity loan or a private lender.

3. Walk Away - If the heirs do not want to sell or keep the home, they can return it to the lender.

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Scenario 2

- Homeowner: John Doe (passed away)
- Original Property Value: $400,000
- Reverse Mortgage Balance: $275,000
- Accrued Interest & Fees: $20,000
- Total Amount Owed to Lender: $295,000
- Current Property Value (Due to Market Decline): $250,000

Options for Heirs:

1. Sell the Home (Non-Recourse Protection Applies)
   - Even though the home is now worth only $250,000, the heirs are NOT responsible for paying the full $295,000 balance.
2. If the heirs sell the home for $250,000, the lender will accept that amount, and FHA mortgage insurance covers the shortfall.
3. The heirs owe nothing out of pocket and walk away debt-free.
4. The heirs can retain ownership by paying 95% of the home's appraised value.
5. 95% of $250,000 = $237,500 (NOT the full $295,000 balance).
6. Walk Away - If they don't want to sell or keep the home, they can return the property to the lender through a deed-in-lieu of foreclosure.
7. Since reverse mortgages are non-recourse loans, the lender cannot pursue the heirs for the remaining balance ($295,000 - $250,000 = $45,000 loss).
8. The FHA insurance fund covers the lender's loss, so the heirs are free from financial liability.

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Additional Info

Ask Us About: HECM for Purchase

Did you know you can use a reverse mortgage to buy your next home? The Home Equity Conversion Mortgage (HECM) for Purchase program allows homeowners 62 and older to buy a new primary residence with a one-time down payment—and never make a monthly mortgage payment (as long as property taxes, insurance, and home maintenance are kept up).

With HECM for Purchase, you can:

✅ Downsize, upsize, or relocate to a home that better suits your needs.

✅ Preserve cash by financing part of the purchase with a reverse mortgage.

✅ Increase your buying power and keep more of your savings.

Want to learn how HECM for Purchase can help you or a loved one move into the perfect home? Ask us today!

Ask Us About: Proprietary Reverse Mortgages

Not yet 62 but interested in the benefits of a reverse mortgage? Proprietary (or jumbo) reverse mortgages are available to homeowners as young as 55! These private loan programs work similarly to HECMs, allowing you to access home equity with no required monthly mortgage payments (as long as taxes, insurance, and upkeep are maintained).

With a proprietary reverse mortgage, you can:

✅ Qualify as early as 55, depending on the lender.

✅ Access higher loan amounts than traditional HECMs—great for high-value homes.

✅ Enjoy flexible payout options to fit your financial goals.

Curious if a proprietary reverse mortgage is right for you? Ask us today!

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What Would You Do With A Reverse Mortgage?

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LET'S TALK!

READY TO EXPLORE HOW A HECM REVERSE MORTGAGE CAN WORK FOR YOU? THE HIGH VIBE MORTGAGE TEAM IS HERE TO HELP! CONTACT US TODAY FOR A PERSONALIZED CONSULTATION.

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