

A FAMILY GUIDE

REVERSE MORTGAGE LOAN INFORMATION
FOR CHILDREN AND CAREGIVERS



JBM Mortgage

HONESTY. INTEGRITY. EXPERTISE.

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The senior care challenge

Caring for an aging loved one can be challenging at times. As an adult child and caregiver, some of the difficulties you may encounter daily include having less time for other family members and yourself, balancing work and caregiving, dealing with physical and mental stress and dealing with mounting financial obligations that can be associated with senior care.

Luckily, Home Equity Conversion Mortgage (HECM) loans, also known as reverse mortgages, are available to help older Americans access the wealth in their homes. This powerful retirement funding tool taps into home equity to **help pay for the care they may need**, and enables them to continue living in their homes.

We are dedicated to informing seniors, their adult children and caregivers about how a reverse mortgage loan can enhance their lives during retirement and help them age in place.

What is a HECM reverse mortgage?

A HECM is a government-insured loan for those aged 62 and older, with no monthly loan payments for as long as the borrower lives in the home, continues to pay taxes and insurance, maintains their home, and otherwise complies with the loan terms.



Aging in place

Aging in place helps enhance a senior's quality of life by empowering them to:

- ✓ Continue living in their comfortable and familiar environment and preserve their community connections
- ✓ Feel independent, while remaining close to family and friends
- ✓ Reside in a home that may have emotional value for them and/or their children



"Not only can care be provided less expensively in the home, evidence suggests that home care is a key step toward achieving optimal health outcomes for many patients."

The Joint Commission: "Home - The Best Place for Health Care" 2011

A solution for senior care

For homeowners 62 or older, a reverse mortgage loan can be used to help pay for senior care, giving loved ones the opportunity to live safely and comfortably in their homes, on their own terms.



A reverse mortgage can:

- ✓ **Pay for in-home care services**, reducing the need for expensive nursing homes and offering improved quality of care
- ✓ Help fund in-home care, ranging from light household chores to **24-hour nursing care**, which can be ramped up gradually or quickly as needed
- ✓ Allow access to a standby HECM Reverse Mortgage **growing line of credit** – which can be set up in advance, before care is needed – ready to help pay for unplanned expenses
- ✓ Eliminate monthly mortgage payments for as long as your loved one lives in their home, provided they pay property taxes, insurance, maintain the property and comply with all loan terms
- ✓ Provide tax-free proceeds (While loan proceeds are not taxable income, property taxes must be paid. Please consult a tax advisor)

How can your loved one qualify?

Qualification is simple and easy, and is based on the important factors below:

- ✓ The borrower on title must be 62 years or older (a non-borrowing spouse may be under age 62)
- ✓ The home must be the borrower's primary residence
- ✓ The borrower must own the home and meet the financial requirements of the HECM program

Flexible loan disbursement options:



A Lump Sum Payout

Pay off large expenses



Monthly Payments

For a set period of time or for life*



A Growing Line of Credit

Access to "standby" funds when they need them

Call your reverse mortgage professional today!

*Available with Tenure-based or Modified Tenure plans, so long as borrower does not default on the loan. With Modified Tenure plans, lender will set aside a specific amount of money for a line of credit.



How does it work?

A HECM reverse mortgage loan allows your loved ones to access their home equity and turn it into cash, a line of credit or a combination of the two.

The loan amount they qualify for is based on their age, their home's appraised value, and current market interest rates.

With a reverse mortgage loan, there are no monthly mortgage payments required, but the borrower is responsible for paying property taxes, maintenance and home insurance. When the last borrower or eligible non-borrowing spouse leaves the home (or does not comply with the loan terms), the loan balance, including any fees and interest, becomes due.

“It’s going to be more important to look at housing wealth as a resource to sustain retirement because a house is a big part of a baby boomer’s wealth compared to just portfolio value. A reverse mortgage is a nice addition for risk management—and for many people it’s probably going to be a need rather than a want.”

John Salter, Ph.D. - Assistant Professor of Financial Planning,
Texas Tech University

3 common questions

What happens to the family home?

Borrowers may leave the home to loved ones as they wish, and heirs may still choose to sell or keep it after repaying the loan. There are various methods that borrowers or heirs can use to repay the loan when it is due.

How do we repay the loan and how much will we owe?

The loan is repaid once the last borrower or eligible non-borrowing spouse has left the home or the loan terms are not complied with. If the home is sold, the loan (including interest and fees) is repaid, and any remaining equity goes to the borrower or the borrower’s estate.

What happens if our parents leave their home before receiving their full reverse mortgage loan?

If your loved one leaves the home, any part of the loan that hasn’t yet been disbursed remains as equity in the home and becomes part of the estate. The reverse mortgage loan becomes due and the heirs are given a reasonable time to sell the home. They also may keep the home by paying off the reverse mortgage or refinancing. Otherwise, the home is sold with proceeds first paying off the reverse mortgage loan, and the remaining balance going to the estate.

We encourage loved ones to get involved and go through the loan process alongside family members, so that everyone understands how a reverse mortgage loan works. We realize that a reverse mortgage loan is a big financial decision and we suggest the following tips to help guide your family's reverse mortgage discussion:

**TIP
1**

Living Choices

Where are your parents going to live as they get older?

Do they want to stay at home or move to an assisted living facility? These questions can help your family better understand about your loved one's future living preferences.

**TIP
2**

Finances

Have your parents calculated the costs involved in meeting their retirement goals?

Have they consulted with a financial advisor to find out how much money they will need for long-term care expenses? Can they afford to maintain their current lifestyle, and if not, can you afford to supplement their income? Knowing your parents' financial situation can help plan for the future - resulting in greater peace of mind for everyone. Have your parents planned financially for their potential senior care health needs?

**TIP
3**

Health

Have your parents outlined their goals for a healthy retirement lifestyle?

Are their health screenings and medical checks up-to-date? Addressing health concerns is valuable as our parents advance in age.

**TIP
4**

Talk With a Professional

Did you know that a reverse mortgage loan can be used to fund home modifications?

Or that your loved one will continue to own his/her home when they get a reverse mortgage? (A reverse mortgage loan is secured by a lien on the home. Borrower(s) must continue to pay taxes, insurance, and maintain the property.) Our reverse mortgage professionals are trained to help you explore your parent's financial situation, provide you up-to-date facts and walk you through the process every step of the way.



Call today to speak with a reverse mortgage professional.

Consider the numbers



Percent of Americans who become impoverished after just one year of nursing home care.¹



Percent of people over age sixty-five who will need some form of long-term care²



100 -maximum number days of services per benefit period in a skilled nursing facility stay that Medicare may cover³



Senior care is one of the most significant life events, yet most seniors don't adequately plan for it. Many Americans believe that long-term care will be paid for by their medical insurance. The reality is that Medicaid will pay for most long-term care patients in the U.S., but it is targeted to those with low income and fewer assets. For clients in the middle-class, care can come at a great price.

CONSIDER THIS SOLUTION:

The best strategy for seniors may be to set-up a HECM reverse mortgage standby line of credit in advance, so funding is available when it's most needed.

¹A Place for Mom, "Long-Term Care Insurance: Costs & Benefits" updated April 2015. <http://www.aplaceformom.com/senior-care-resources/articles/long-term-care-costs>, accessed 8/3/16

²U.S. Department of Health and Human Services, 2015. (<http://longtermcare.gov/the-basics/how-much-care-will-you-need/>)

³U.S. Department of Health and Human Services, 2015. (<http://longtermcare.gov/medicare-medicaid-more/medicare/>)



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A reverse mortgage increases the principal mortgage loan amount and decreases home equity (it is a negative amortization loan). Borrowers are responsible for paying property taxes and homeowner's insurance (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 when the last borrower, or eligible non-borrowing surviving spouse, dies, sells the home, permanently moves out, defaults on taxes or insurance payments, or does not otherwise comply with the loan terms. These materials are not from HUD or FHA and were not approved by HUD or a government agency.