



The power of home.™

# Monetizing Home Equity with Today's Reverse Mortgage

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# Agenda

- Today's Reverse Mortgage
- How Reverse Mortgages Work & Their Benefits
- Traditional & Proprietary Reverse Mortgage Options
- Solutions to Common Financial Insecurities
- A Look at Longbridge Financial, LLC

# Today's Reverse Mortgage

Highlights and key facts about today's Home Equity Conversion Mortgages (HECM)



# Today's Reverse Mortgage: The Stats

- **99%** of Reverse Mortgages are HECMs or “Home Equity Conversion Mortgages”
- President Reagan signed the HECM program into law in 1989
- The HECM program is federally-insured<sup>1</sup> by FHA
- **Over 1 million** Americans have used a HECM

## DID YOU KNOW?

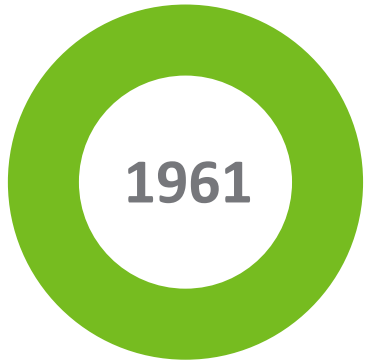
US homeowners ages 62+ have **\$11.58 trillion** in housing wealth<sup>2</sup>.

## DID YOU KNOW?

44% of Americans (age 60-70) **still have a mortgage**. 17% say they'll never pay it off<sup>3</sup>.

# The Evolution of the Reverse Mortgage

First ever reverse mortgage issued



Under Reagan, 1<sup>st</sup> FHA-insured<sup>1</sup> HECM

1989

HUD establishes HECM counseling policies

2001

First baby boomers turn 62 & HECM for Purchase introduced



HUD finalizes guidelines for Financial Assessment

2015

HECM Loan Limit raised to \$636,150

2017

HECM Loan Limit raised to \$1,089,300



<sup>1</sup> This material has not been reviewed, approved or issued by HUD, FHA or any government agency. The company is not affiliated with or acting on behalf of or at the direction of HU/FHA or any other government agency.

# Using Reverse Mortgages to Secure Retirement

“The **reverse mortgage** has helped to preserve a legacy for heirs. It must not be viewed in isolation, but rather as how it contributes to an overall plan.

The value of the reverse mortgage can mostly be found in its diversifying benefits for investment assets in retirement.”



**Wade D. Pfau, Ph.D., CFA**  
Professor of Retirement Income,  
The American College

# Monetizing Home Equity Has a Broad Impact



# How a Reverse Mortgage Works

How a reverse mortgage can help your clients & eligibility factors





# A Reverse Mortgage Can Help Your Clients:

- Refinance existing mortgage debt, to dramatically reduce their monthly payments<sup>1</sup>
- Consolidate debts such as high-interest credit cards, auto loans, etc.
- Improve cash flow
- Gain payment flexibility, for more financial control
- Assist loved ones with large, significant expenses
- Fund home renovation or “aging in place” projects
- Pay for medical expenses & long-term care
- Purchase a home that better fits their needs



# Which of Your Clients Are Eligible?

- **At a minimum, to qualify for a reverse mortgage, your client must:**
  - Be at least 62 years of age or older for a HECM
  - Be at least 55 years of age or older in select states<sup>1</sup> for Longbridge Platinum
  - Own their home and live in it as their primary residence
  - Be able to keep up with loan obligations, including property taxes, homeowners insurance, and property maintenance
  - Have sufficient equity in their home



# What Types of Properties are Eligible?

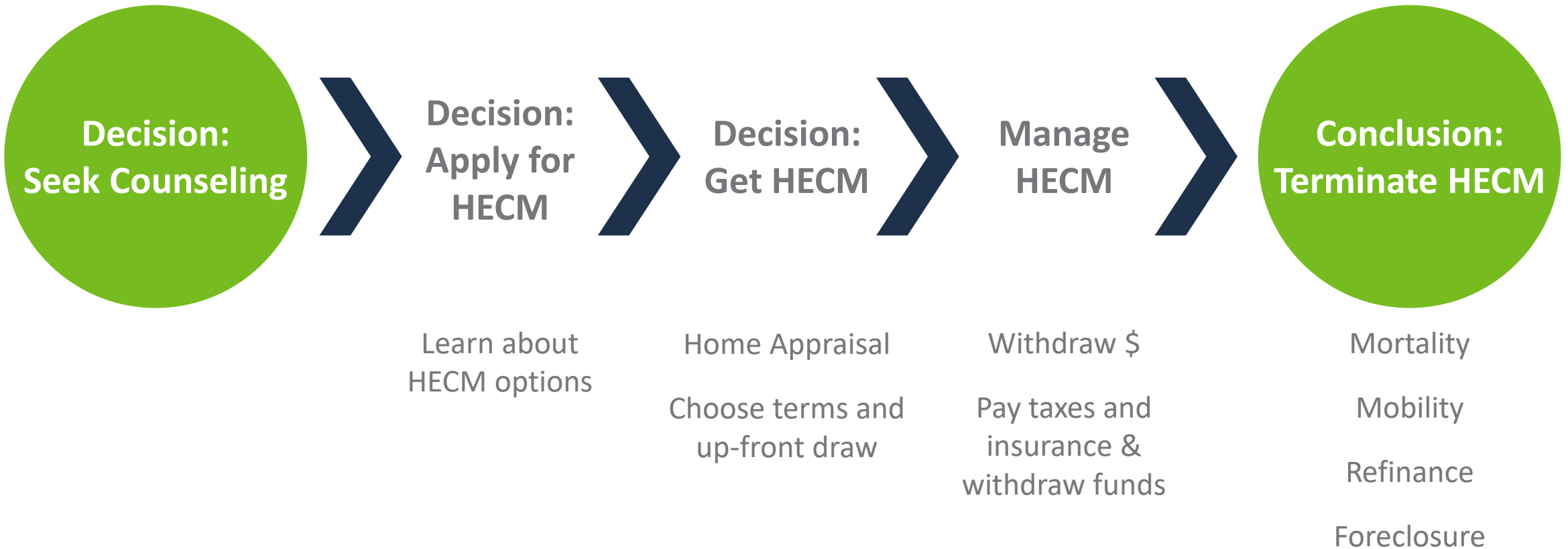
- Single-family homes
- Condominiums that meet certain requirements
- Planned Unit Developments (PUDs)
- Two-to-four-family homes
  - Must be owner-occupied
- Manufactured homes that meet HUD guidelines



# Reverse Mortgage Terms to Know

- **Principal Limit Factor (PLF):** The percentage of the home value that can be borrowed
  - PLF = a function of borrower's age (+) and the loan's interest rate (-).
  - This typically amounts to 30-70% of total home value.
- **Home Value**
  - Home Value = the lesser of the appraised value of the property or the maximum loan amount for that region of the U.S. (currently \$1,089,300 nationally).

# Reverse Mortgage Workflow





# How Are Your Clients Protected?

- **Reverse Mortgage Counseling**

- Before submitting a reverse application, clients are required to meet with an independent third-party HUD-approved counselor.
- Counseling session is meant to equip clients with the education and resources to decide whether the reverse mortgage is right for *them*.

- **Non-Recourse Protection**

- At the time of loan repayment, borrower (or their heirs) will not owe more than the value of the home.

- **Mortgage Insurance**

- Guarantees non-recourse protection and ensures borrower will receive loan payments as agreed upon by loan terms.

# How Are Your Clients Protected? (continued)

- **Capped Interest Rates**

- For loans with an adjustable interest rate, there is a limit on how much some rates can change during a specific time period.

- **Full Disclosure of Costs**

- Clients will be provided with a Good Faith Estimate (GFE) that will disclose estimated loan costs and fees upfront.



# Traditional & Proprietary Reverse Mortgage Options

An overview of the HECM program and Longbridge Platinum, our proprietary jumbo reverse mortgage





# FHA-Insured<sup>1</sup> HECM Program

- Available for single-family properties, HUD-approved condos, or up to 4-unit homes
- The home must be their primary residence
- Proceeds can be used to refinance a property or purchase a home
- Can be used to pay off an existing mortgage or Home Equity Line of Credit (HELOC)

## FHA-Insured<sup>1</sup> HECM Program (continued)

- A HECM cannot be reduced, called or canceled, if the loan terms are met
- Clients downsizing or rightsizing can use a HECM to finance the purchase of their new home (HECM for Purchase)
- As with any mortgage, the borrower must meet loan obligations:
  - Keep current with property taxes, homeowners insurance, and home maintenance
  - If loan obligations are met, the loan does not have to be repaid until the last surviving borrower (or qualified non-borrowing spouse) passes away, sells the home, or moves out

# Flexible Funding Options<sup>1</sup> Available with a HECM



Lump sum



Fixed monthly advances



Line of Credit



A combination of these –  
you choose



Purchase a new home  
(HECM for Purchase)

# Longbridge Platinum

- Loan amounts up to **\$4 million** in available cash and wide range of eligible homes
- Attractive **low-rate** options
- **No mortgage insurance premium** = potentially lower upfront costs
- **No penalties** for prepayment
- **Non-recourse protection** = no personal liability
- **Greater flexibility** and fewer restrictions
- **Expanded eligibility** for condos
- **Streamlined approval process**
- Available to homeowners as young as **age 55** in select states<sup>1</sup>



<sup>1</sup> Due to state requirements for the states of Louisiana, New Jersey, and Washington all borrowers must be 60 years of age and in North Carolina, Texas, and Utah all borrowers must be 62 years of age.

# What Financing Option is Right for Your Clients?

	Home Equity Line of Credit	Traditional Mortgage	HECM Reverse Mortgage	Longbridge Platinum
Converts home equity into loan funds?	YES	YES	YES	YES
Age-based lending	NO	NO	62 or older	55 <sup>1</sup> or older
Loan Limit	No set amount	No set amount	Up to \$1,089,300	Up to \$4 million
Flexible repayment feature?	NO	NO	YES <sup>2</sup>	YES <sup>2</sup>
Minimum monthly payment required?	YES	YES	NO <sup>2</sup>	NO <sup>2</sup>
Non-recourse feature	NO	NO	YES	YES
Income Qualifications	Stricter	Stricter	More Lenient	More Lenient
Can be used to buy a home?	NO	Yes	Yes	Yes

<sup>1</sup> Due to state requirements for the states of Louisiana, New Jersey, and Washington all borrowers must be 60 years of age and in North Carolina, Texas, and Utah all borrowers must be 62 years of age.

<sup>2</sup> Real estate taxes, homeowners insurance, and property maintenance required.

# Solutions to Common Financial Insecurities

How home equity can address financial challenges in retirement years



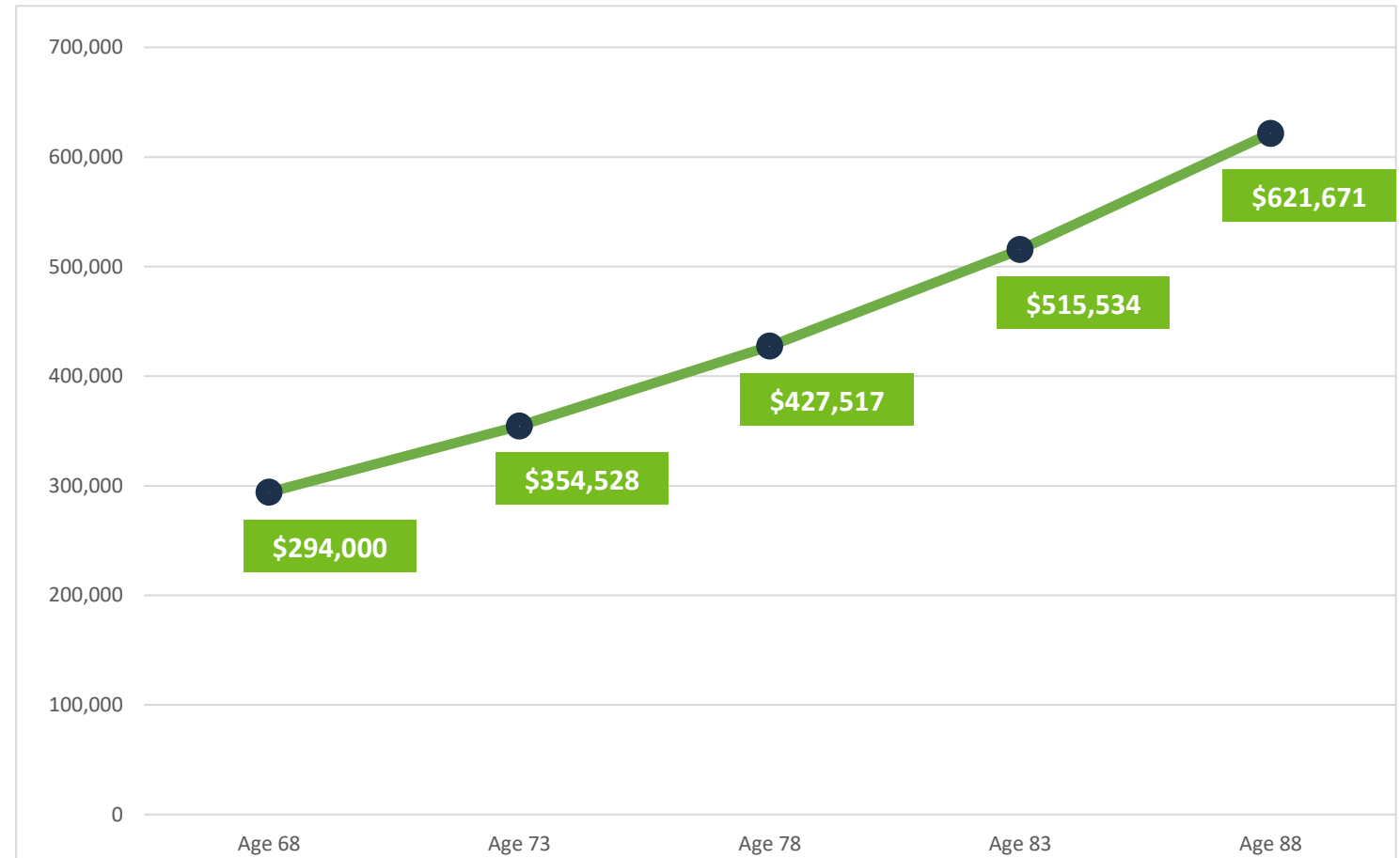
# Funding Longevity with a HECM Line of Credit

- Meet the Davis Family
  - The Davis couple, both age 68, have a \$525,000 home with no mortgage. They have a pension and \$500,000 in portfolio assets.
  - **How can a reverse mortgage help the Davis' better achieve their retirement goals?**



# Funding Longevity with a HECM Line of Credit

- **Solution: Establish a HECM Credit Line**
  - By age 88, projected credit line would grow to **\$621,671**
  - Funds could be drawn for in-home care, Social Security, bridge, or any other purpose
  - No additional income taxes on HECM funds used





# Eliminating Mortgage Payments for an Easier Path to Retirement

- Meet Henry
  - Henry is 62 years old, single, and has a \$650,000 home with \$265,000 remaining on his mortgage. He is still working full-time.
  - With a current rate at 3.5%, he will be making mortgage payments of \$2,200 per month for close to 13 years, well into his intended retirement.
- **The Challenge**
  - Henry plans to retire at 67 but is concerned about making his monthly mortgage payment from retirement income.
  - He has saved but would also like to have more liquid funds available for contingencies.
  - **He would like to find a way to make retirement work without having to extend his planned retirement date.**



# The Solution

- **Eliminate monthly mortgage payments** by replacing Henry's traditional mortgage with a payment-optional HECM<sup>1</sup>
- **Shift \$2,200/month (\$26,400/year) toward savings**, increasing his deductible 401(k) contribution and maximizing income deferral/matching funds
- After paying off the mortgage, **Henry has \$65,000 available credit line from his HECM**
- **Henry can potentially save approximately \$343,000 in mortgage payments** over the 13 years remaining on his mortgage, that can be used for other retirement goals.

# Buying a Home with a HECM to Improve Retirement Liquidity

- Meet the Wilson Family
  - Mr. & Mrs. Wilson, age 65 and 67, plan to purchase a new home closer to family with cash to avoid a mortgage payment
- **The Challenge**
  - The couple plans to sell their current home, clearing \$500,000 and buy a new home with a total cost of \$500,000
  - However, they also want to improve their retirement liquidity – **is there a better option?**



# Buying a Home with a HECM to Improve Retirement Liquidity

Traditional Purchase	
Proceeds from current home	\$500,000
Purchase price: New Home	\$500,000
Cash paid by homeowner	\$500,000
Monthly mortgage payment	\$0
<b>Client's remaining proceeds from old home sale</b>	<b>\$0</b>

HECM for Purchase (H4P)	
Proceeds from current home	\$500,000
Purchase price-new home	\$500,000
• Closing Costs	~\$15,000
Cash paid by homeowner	\$244,000
Reverse Mortgage Pays	\$271,000
Monthly mortgage payment	\$0
<b>Client's remaining proceeds from old home sale</b>	<b>\$256,000</b>

# Get to Know Longbridge Financial, LLC

Who we are and how we work with you and your clients



# Who is Longbridge Financial?

- Founded in 2012 by a group of experienced lending experts from financial services brands such as MetLife, New York Life, and Fidelity, we've quickly become a **leading force** in the Third-Party Origination sector of the reverse mortgage market.
- Our investor group is committed to **changing and improving the reverse mortgage business** through an ongoing commitment to unparalleled service, expertise, and transparency.
- We're an **approved Federal Housing Administration (FHA) lender**, offering loan products that are insured by the U.S. Department of Housing and Urban Development (HUD).

# How We Can Work Together

- **Education and Training:** We are a trusted resource to advisors nationwide, providing in-depth presentations that can be customized to meet your needs.
- **Consultative Approach:** We work with you one-on-one to put together comprehensive, effective, and tax-efficient plans and share the information as you and your clients request.
- **Compliance and Customer Service:** We can help you understand and address compliance and regulatory concerns – all while meeting your clients' needs with education and high-quality service.
- **Online Tools:** Our dedicated advisor website provides a collection of resources to enhance your own knowledge, including easy-to-use reverse mortgage calculators.

# Your Clients Can Be Confident with Longbridge

- Longbridge is committed to providing the highest level of customer service – we maintain an **A+ rating with the Better Business Bureau** and an average customer satisfaction rating of **4.7 out of 5 stars** from Trustpilot®
- We offer **competitive pricing** in addition to low rates and other special programs for those who qualify
- Reverse mortgages are all that we do – our knowledgeable staff has years of experience and are true **professionals in the industry**
- We are also a **full loan servicer** – we stay with each client through underwriting, closing, and ultimately, servicing the loan. Few lenders can say that.
- We adhere to the highest standards of ethics – if we ever feel that a reverse mortgage is not a good option for a client, **we will say so.**





# Getting Started is Easy!

- **How We Can Help**

- One-on-one attention with a designated Account Executive
- Complimentary in-depth quotes
- Special pricing for advisors
- Educational resources on all things reverse
- Online tools to run scenarios – 24/7/365

# THANK YOU



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