Call Chris - 805-203-6872

Christopher A. Freck
NMLS# 241125
DRE# 1454795

Reverse Mortgage Scenario Analysis

Hello **John Chappell**,

Thank you for taking the time to consider adding a reverse mortgage to your portfolio of financial assets.

I know that this loan program can seem a little complicated at first, and it is my job to be sure you understand how they work, and structure your mortgage to put you in the most optimal financial position.

The key factors that impact how much money will be available to you are:

- Your age: **73**
- Your primary residence value: **$ 1,500,000**
- What you currently owed on that property: **$ 0**

John, I've created the information in this report specifically for you with the intention of helping you feel comfortable moving forward with this unique opportunity to unlock the money that is currently tied into your home.

Please do not hesitate to reach out with any questions, no matter how big or small they seem. My job is to answer those questions.

Thank you for your consideration,

Chris Freck
Loan Originator (NMLS #241125)
chris@estarm.com
(888) 871-1003

Notes:

- This report provides illustrative estimates only for the purposes of explaining possible scenarios for a reverse mortgage. It should not be taken as financial or legal advice.
- These materials are not from HUD or FHA and were not approved by HUD or a government agency.

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John Chappell Scenario

Refinance Details

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Youngest Borrower Age	73
Home Value	$1,500,000
Max Value Considered	$1,209,750
Margin	3.000%
Loan To Value (LTV)	30.7%
Loan Amount	**$460,915**
Total Fees and Costs	($33,870)
Payoffs	$0
Reserved for T&I Payments	$0
Funds Remaining	**$427,045**
Max Available 1st Year	$242,679
Cash at Close	**$0**
Total Line of Credit (LOC)	**$427,045**
LOC Available 1st Year	$242,679
Initial Loan Amount (UPB)	**$33,870**
% Loan Taken at Closing	7.35%
Payoffs, Fees & Costs	$33,870
Max UPB during 1st Year	$276,549
% of Loan Available 1st Year	60.00%

NMLS# 1547521 DRE# 2020370

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Know your HECM Program Options

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The **Home Equity Conversion Mortgage** (HECM) is a reverse mortgage program insured by the Federal Housing Administration (FHA). It allows homeowners to convert a portion of their home's value into cash while continuing to live in their primary residence. The loan balance (principal plus interest) typically becomes due when: 1) the borrower passes away, 2) the home is sold or transferred, or 3) the borrower no longer lives in the property as their primary residence.

HECM loans can be tailored in several ways, giving homeowners flexibility to choose the option that best fits their needs. Because of this, it's important that every prospective borrower understands the full range of products, features, and protections FHA provides.

PAYOUT OPTIONS

- **Adjustable-Rate HECM**: Offers the most flexibility, with choices such as a line of credit, steady monthly payouts (tenure or set term), or a combination of these. Note: Withdrawals may be limited during the first 12 months, with remaining funds becoming available after that period.
- **Fixed-Rate HECM**: Provides a one-time lump sum at closing. Note: This option is subject to a disbursement limit at funding.

KEY FEATURES

- **Payments**: With a HECM, you don't have to make monthly principal and interest payments. However, if you choose to make voluntary payments on an adjustable-rate HECM, you'll not only reduce your loan balance but also increase the amount available to you in your line of credit.
- **Non-Recourse Protection**: Neither the borrower nor their estate will owe more than the home's value when the loan is due.
- **Mortgage Insurance Premiums (MIP)**: FHA requires both an upfront Initial MIP and an ongoing annual MIP. These costs are added to the loan balance and paid by the lender to FHA.
- **Life Expectancy Set-Aside (LESA)**: A LESA is a portion of the loan that is set aside to cover property taxes, hazard insurance, and flood insurance if applicable. This ensures those expenses are paid on time for as long as funds remain and the loan stays in good standing.

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What you should know about reverse mortgages

WHAT IS A REVERSE MORTGAGE?

All mortgages are simply liens against the home, and the reverse mortgage is no different. What makes a reverse mortgage unique is that repayment is flexible and may be deferred to a later date, like when the home sells. This allows a homeowner to access their housing wealth and make payments on their own terms.

WHAT IS A HECM?

A Home Equity Conversion Mortgage, or HECM, is a federally-insured reverse mortgage that allows homeowners, age 62 and older, to convert a percentage of their home's value into cash. The cash is used first to pay off any liens against the home, and the remainder is commonly left in a growing line-of-credit.

WHAT IS THE BIGGEST MISCONCEPTION?

Many people mistakenly believe that the bank gets the home at closing or when the last borrower dies. Fortunately, that is not the case. The borrower still retains ownership over the life of the loan and they, or their heirs, can sell it at any time.

HOW CAN REVERSE MORTGAGES BE USED?

There is a full spectrum of uses ranging from those who need cash to those who want to enhance their retirement lifestyle or enhance financial planning. Some are even using one to relocate, purchasing another home while keeping more cash from the sale of their existing home.

HOW MUCH MONEY CAN A HOMEOWNER GET?

With a reverse mortgage two critical factors are age and interest rate. Typically, older borrowers and/or lower interest rates will allow the borrower to qualify for a higher percentage of the home's value.

WHAT ARE THE PRODUCT OPTIONS?

Reverse mortgages are most often used to REFINANCE, but when used to PURCHASE a home, they unlock exciting opportunities and powerful flexibility in your buying power. Fixed-rate HECMs are rarely used because they only offer a one-time disbursement. Adjustable rate HECMs, however, allow future draws allowing the homeowner to draw funds when needed.

WHAT ARE THE PAYOUT OPTIONS WITH AN ADJUSTABLE RATE HECM?

Reverse mortgage funds must first pay off any existing liens and closing costs. The remaining funds may be taken as cash at closing, from a line-of-credit, with regular monthly payouts, or a combination of these.

WHAT ARE THE BORROWER RESPONSIBILITIES?

Remember, with a reverse mortgage, the borrower is not responsible for making required monthly payments. However, homeowners must occupy the home as their principal residence, maintain the home in good condition, and pay all property charges like property taxes and insurance.

WHAT IS THE NON-RECOURSE FEATURE?

With a reverse mortgage, the borrower will not owe more than the home is worth at the time the loan is due. This removes any recourse to the borrower (or estate) when the loan balance exceeds the home's value.

WHEN IS THE LOAN DUE?

The reverse mortgage is typically "due and payable" when the home is no longer the principal residence of a borrower or an eligible non-borrowing spouse. With all mortgages, borrowers must maintain the home and pay all property charges to remain in good standing. Failure to do so may cause the loan to be due.

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Borrower Protections

COUNSELING PROTOCOL

HUD requires HECM borrowers to receive counseling from a HUD-approved agency. This ensures the consumer has been advised by someone other than the loan originator. One overlooked role of the counselor is assessing whether the borrower properly understands the product.

LOAN MATURITY DATE

So long as the loan remains in good standing, the default HECM maturity date is 50 years beyond the youngest borrower's 100th birthday. This date is listed in the Security Instrument and is set with the expectation that the borrower will not outlive the HECM loan.

PRINCIPAL LIMIT PROTECTION

Long-term interest rates (expected rates) determine a HECM applicant's borrowing power. When rates rise, a new applicant will qualify for less principal. Fortunately, HUD allows a lock of the expected rate to protect the applicant, as long as the lock does not expire.

FINANCIAL ASSESSMENT

Every lender must evaluate a borrower's ability to meet their financial obligations. When lenders examine credit history, property charge history, and residual income, they are showing HUD that the loan is a sustainable solution for the HECM borrower(s) and their household.

NON-BORROWING SPOUSE

With this consumer protection, the due & payable status of a HECM loan may be deferred for an eligible NBS after the death or incapacity of the borrowing spouse. While the NBS cannot borrow, they may be able to remain in the home until another maturity event occurs.

HECM LINE-OF-CREDIT

The HECM line-of-credit (LOC) is a consumer protection offering the borrower the ability to draw funds as they need them, irrespective of home value. The available LOC is not only secure, but also grows at the same rate the loan balance grows.

THE NON-RECOURSE FEATURE

This feature benefits both the homeowners and their heirs. When the homeowner chooses to sell the home, or passes away, FHA guarantees that neither the borrower nor their heirs will owe more than the home is worth at the time the home is sold.

TWO SECURITY INSTRUMENTS

At closing, each HECM ARM borrower signs two notes and two security instruments. The second is signed because HUD may be obligated to disburse funds to the borrower someday. This consumer protection ensures the borrower will continue to receive loan payments if the lender becomes incapable.

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What to Expect

INITIAL DISCUSSION

The homeowner will review the reverse mortgage product with a licensed mortgage professional who will run scenarios that model what a reverse mortgage might look like both at closing and the expected performance of the loan over time.

PRE-COUNSELING PACKAGE

This is obtained from your loan originator. It should include a counseling list, a loan comparison of various product options, a Total Annual Loan Cost (TALC) rate disclosure, an amortization schedule, and a brochure titled, Use Your Home to Stay at Home.

COUNSELING

The homeowner and other interested parties will complete a counseling session with a HUD-approved counselor. The counselor will provide certificates that must be signed and dated by all required participants. The lender cannot proceed until a signed and dated counseling certificate is provided.

LOAN APPLICATION

The homeowner will contact their chosen loan originator to complete the application. This application is called a Form 1009. Additional disclosures will need to be signed at that time.

APPRAISAL

An appraiser will visit the subject property to take pictures and measurements. They will generate a report of comparable sales, which will be used by the underwriter to determine the current value of the home.

PROCESSING

A processor will contact the homeowner or homebuyer to collect additional information and documentation necessary to send the loan file to an underwriter.

UNDERWRITING

The underwriter is the final decision-maker regarding critical elements of the loan and makes sure that the loan file is in order.

CLOSING

When the loan is approved by the underwriter, it may be cleared-to-close. At that point all conditions required prior to closing have been obtained and a closing date and time may be scheduled.

SERVICING

When the loan closes, it will be managed by one of a handful of loan servicers that specialize in HECM loans. The servicer will handle any draw requests and voluntary payments the borrower wishes to make.

OCCUPANCY CERTIFICATION

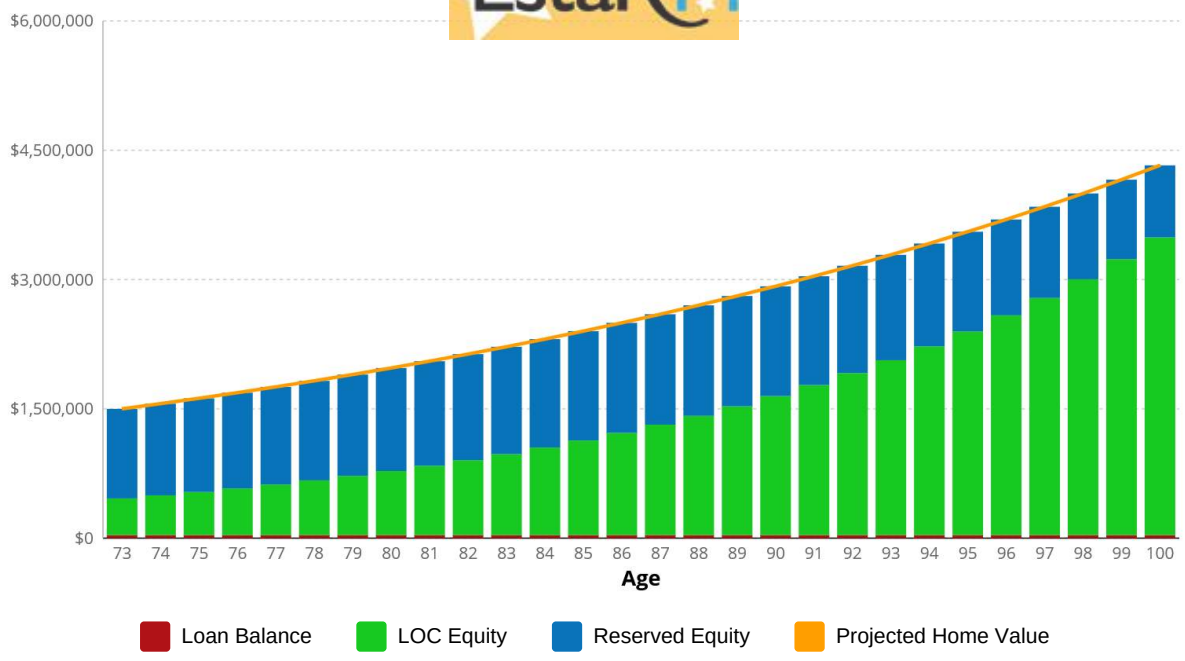
The borrower and any non-borrowing spouse will be required to return an occupancy certificate each year during a 60-day period around the anniversary of their closing date. This can be done via mail or through the servicer's online portal.

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Amortization (using 4% appreciation)



Option	Payment	Draw	Start Year	End Year	Freq
Monthly Interest and MIP	$212.25		1		1 Mo

Graphic Summary

This graphic models how this reverse mortgage is expected to perform over time. In each year, we have estimated the portion of the home's value represented by the loan balance, reserved equity, and more. See descriptions below:

GOLD Line – This represents the estimated **HOME VALUE** in each year forecasted, and it increases based on the appreciation rate selected. While higher appreciation is good, the line of credit and its growth are not dependent on future values.

BLUE Bar – This represents a portion of the borrower's **RESERVED EQUITY** that is not accessible by the borrower through the reverse mortgage. If the home were to be sold, this reserve would belong to the borrower or their estate.

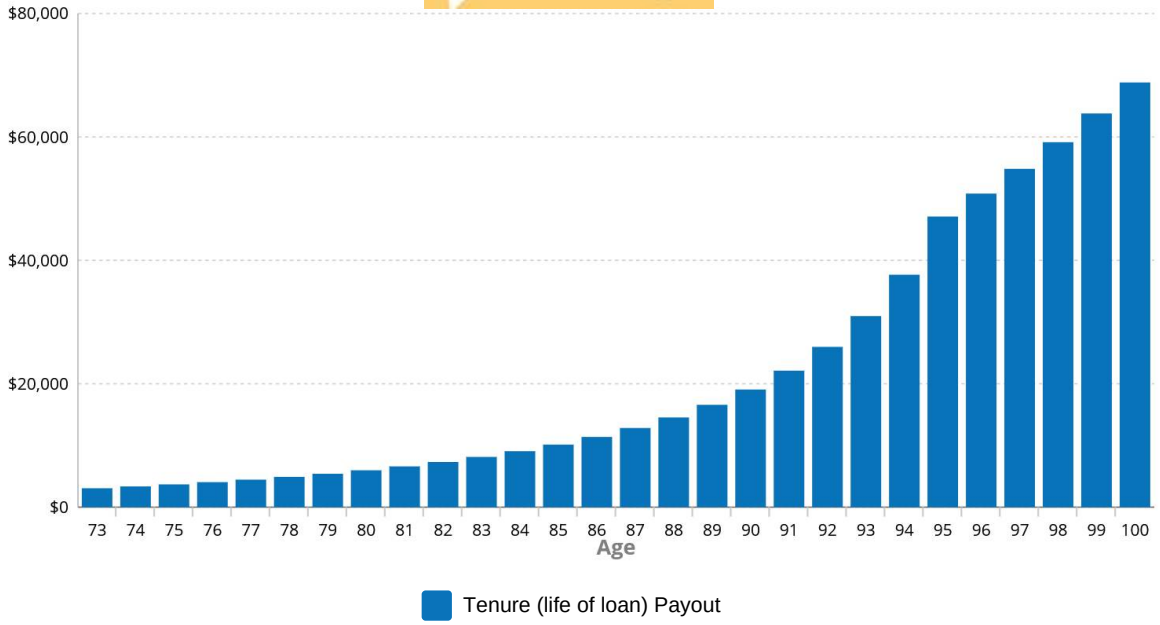
GREEN Bar – This represents the **LINE OF CREDIT (LOC)**, a portion of the borrower's overall equity that is accessible by the borrower through the reverse mortgage. The available LOC grows at the same rate as the loan balance and with each payment made. Draws from the LOC will be added to the loan balance.

RED Bar – This represents the estimated **LOAN BALANCE** over time. When the borrower makes payments, this amount will decrease. If the borrower chooses not to make a payment, the loan balance will increase through interest accrual.

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LOC Conversion



Option	Payment	Draw	Start Year	End Year	Freq
Monthly Interest and MIP	$212.25		1		1 Mo

Graphic Summary

One advantage of the reverse mortgage is the ability to convert a growing Line of Credit (LOC) into monthly payouts. The monthly payout a borrower may receive with an LOC conversion typically increases over time because the LOC is growing and the borrower is older at that time.

For example, a large LOC converted late in retirement provides a payout many times larger than a small LOC converted early in retirement. For the purposes of this analysis, we model converting the LOC into **TENURE** payments

TENURE payouts allow a borrower to receive equal monthly payments so long as the loan is in good standing. The borrower continues to receive funds regardless of longevity or home value declines.

BLUE Bar – This demonstrates the potential monthly **TENURE PAYOUT** the client might receive if the LOC is converted in that year.