

HOW DOES THE REVERSE MORTGAGE LINE OF CREDIT (L.O.C) WORK?

Here are some reasons why your clients should do a reverse mortgage now vs. later:

62-Year-Old Client

- Home Value \$600,000
- Available LOC \$223,506

Client at Age 89

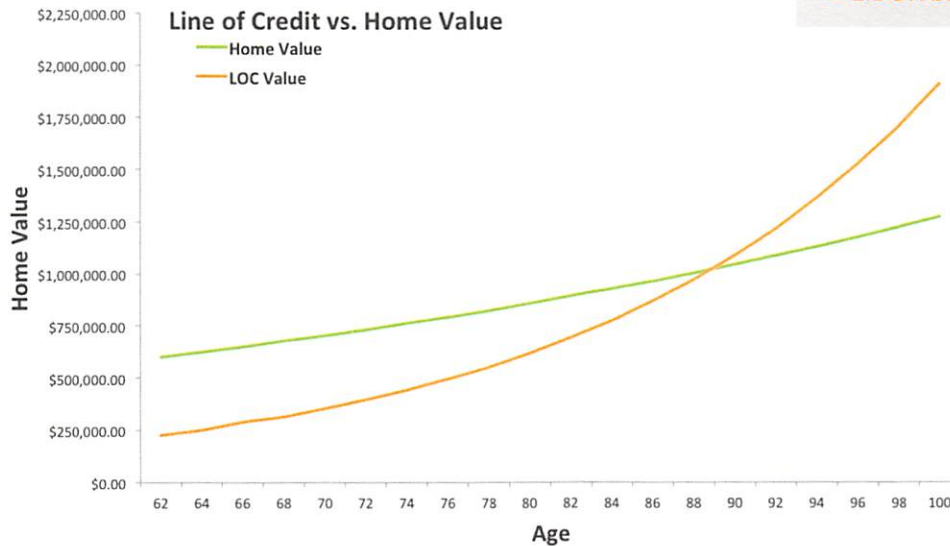
- Home Value \$1,024,132
- Available LOC \$1,026,643

**This is not tax or financial advice. Client should consult a tax and/or financial advisor for their specific situation.*

The intention of this chart is to educate financial planners. Data is based off projections; the line of credit growth rate is based off the 10-year SWAP rate and borrower's age.

– LIBOR based on Moody's Analytics.

Client can withdraw from the LOC and reinvest back tax-free at any time*



Understanding the Line of Credit Growth for a Reverse Mortgage Loan

Naturally, the loan balance on a reverse mortgage grows over time. For the most common type of HECM reverse mortgage, it grows at the selected LIBOR rate, plus a fixed lender's margin set in the contract, and a fixed mortgage insurance premium of 0.5 percent. This combination of three factors is called the effective rate. More broadly, the effective rate is applied to growth not just for the loan balance, but also for the overall principal limit.

In other words, the unused line of credit grows at the same rate as the loan balance. Really, it is the overall principal limit of the reverse mortgage that grows at the effective rate. Again, this principal limit is the sum of the loan balance, the remaining line of credit, and any set-asides:

High Needs Clients

- Over The Age of 62, 40-60% Equity, Still Making Mortgage Payments
- High Income / High Taxation - Paid Off House
- Have Current Mortgages – Paying With Taxable Funds
- Anyone Withdrawing More Than 5%
- Decreased Income – Increasing Expenses
- No Long-Term Care Plan

This information is provided as a guideline; the actual reverse mortgage available funds are based on current interest rates; current charges associated with loan; borrower date of birth (and/or that of non-borrowing spouse, if applicable); and standard closing costs. Interest rates and loan fees are subject to change without notice.