SPEAKER

Susan Haviland, CRMP

WHOLESALE TRAINING MANAGER,
LEARNING AND DEVELOPMENT DIVISION

Sue Haviland is the Wholesale Training Manager at Finance of America Reverse in the Learning and Development Department. She has spent nearly 35 years in the mortgage industry, 17 of those in reverse. Sue has been a trainer, originator, speaker, coach, author and is also a CRMP.

FINANCE of AMERICA
– REVERSE –

Home Equity Options: The “Silver” Lining with Divorce Over 55

CERTIFIED REVERSE MORTGAGE PROFESSIONAL TRAINING

Updated September 2022

LEARNING OBJECTIVES

After this training, you'll be able to:

- Interpret the growing divorce statistics among older adults near or entering retirement.
- Identify the unique financial challenges of divorce faced by older adults.
- Explain the benefits of using home equity to help your clients during a divorce.
- Apply this concept to various examples.
- Introduce the concept to divorce attorneys.
- Identify resources.

01

A MATURING NATION & THE SILVER DIVORCE TREND

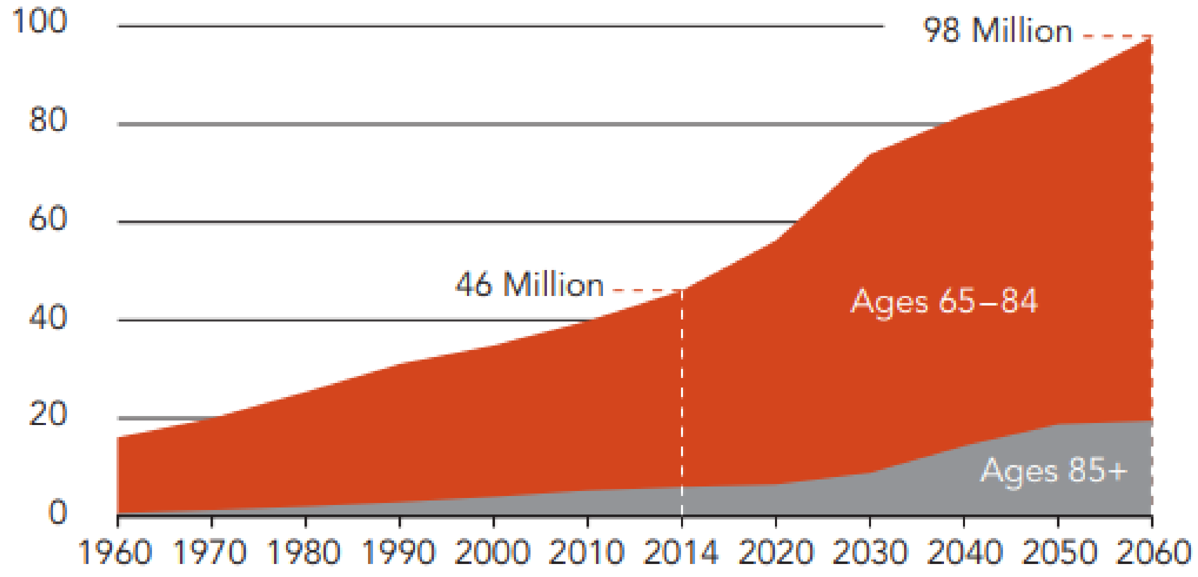
A MATURING NATION

- Today's new, eligible retirees represent the 76 million people born between 1946 and 1964 during the post World War II baby boom. This earned them the nickname of "Baby Boomers."
- The number of older American's is projected to increase to
  - 84 million in 2050
  - 98 million by the year 2060
- By 2030, 20% of Americans will be 65 or older

Source: Population Bulletin, Population Reference Bureau, 2015, Vol. 70, No 2
https://www.prb.org/wp-content/uploads/2019/07/population-bulletin-2015-70-2-aging-us.pdf

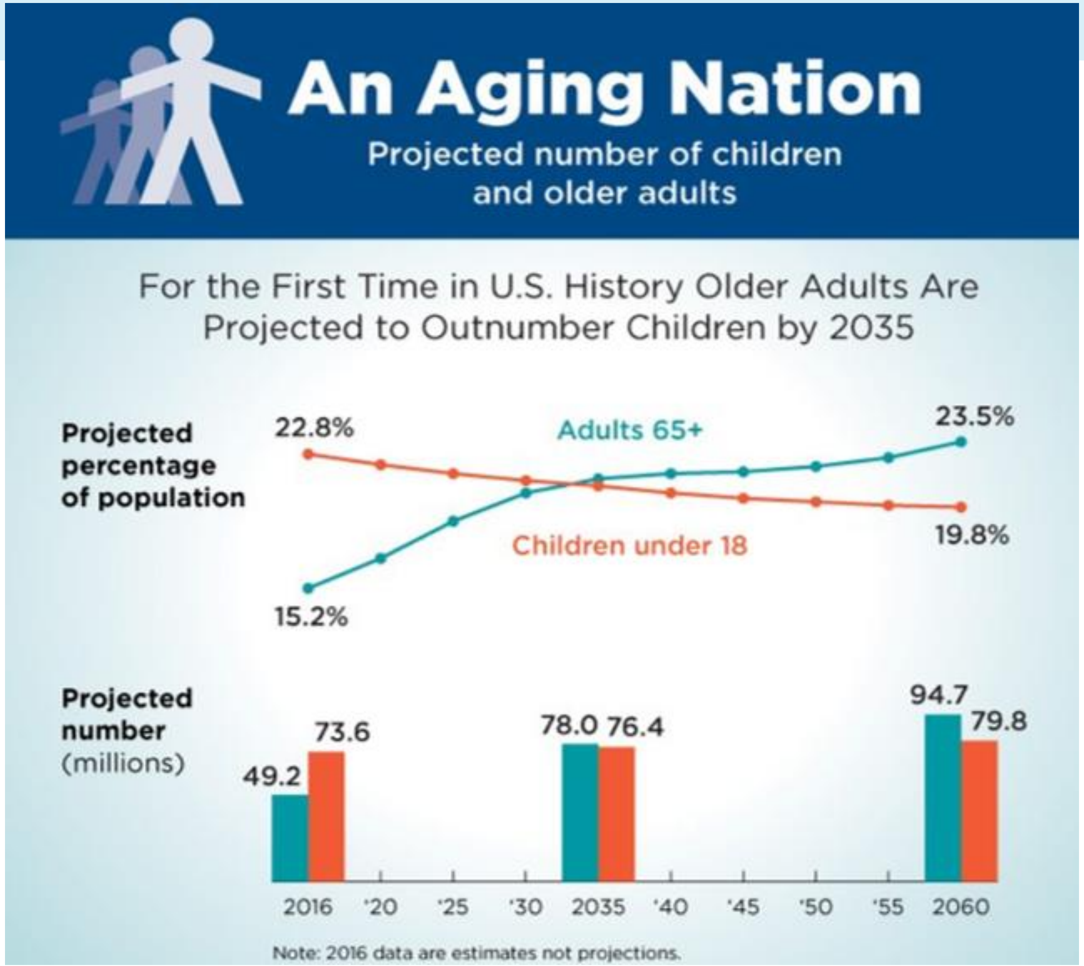
The Number of Americans Ages 65 and Older Will More Than Double by 2060.

U.S. Population Ages 65 and Older, 1960 to 2060 (Millions)



Source: PRB analysis of data from the U.S. Census Bureau.

2035: BIG SHIFT IN DEPENDEN RATIOS

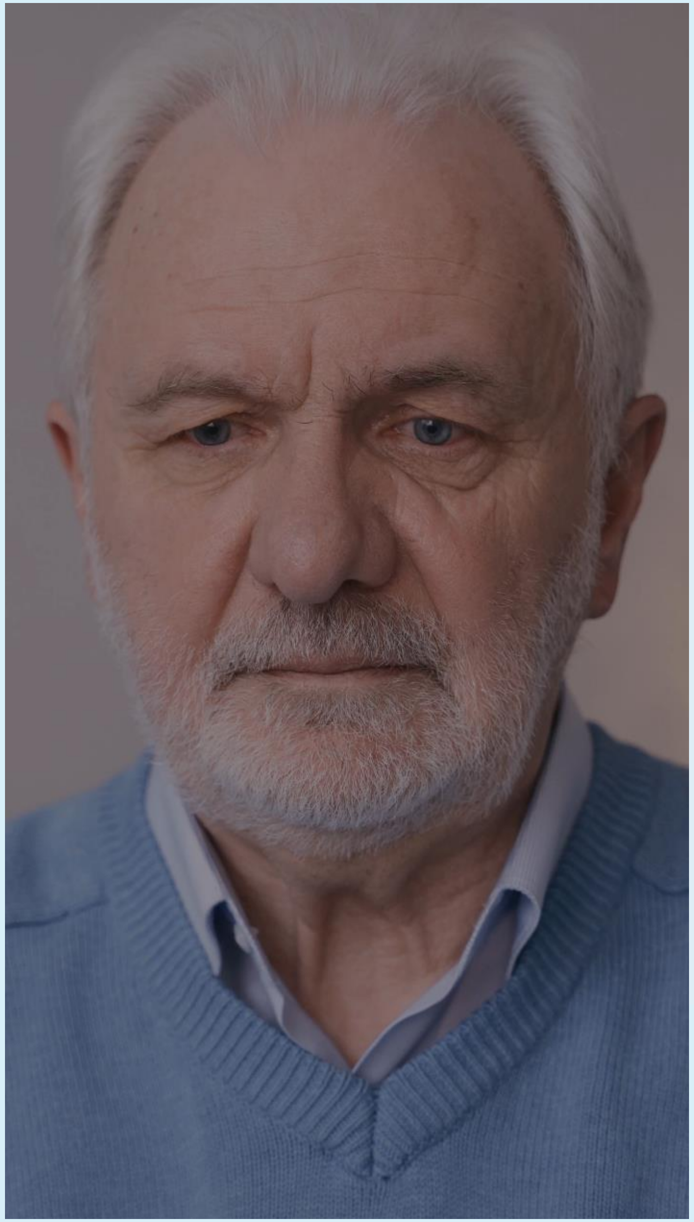


In the coming decades, the United States is expected to shift from a youth-dependent population toward an elderly-dependent population.

Between 2016 and 2030, the under 18 population is expected to grow by only 6 million compared to a growth of 46 million people for the 65+ population.

By 2035, older adults are expected to outnumber children for the first time in United States history.

By 2060, there will be 95 million older adults compared to 80 million children.



THE "SILVER" LINING WITH DIVORCE OVER 55

THE "SILVER DIVORCE" TREND

Led by Baby Boomers, senior or "silver" divorce rates climb for America's 50+ population.

In the past 25 years, among those aged 50+, the divorce rate has roughly tripled since 1990.

Source: Pew Research Center Analysis of the 2015 American Community Survey

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THE “SILVER” LINING WITH DIVORCE OVER 55

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02

SILVER DIVORCE PRESENTS UNIQUE FINANCIAL CHALLENGES

THE “SILVER” LINING WITH DIVORCE OVER 55

DOWNSIDES OF DIVORCE FOR OLDER ADULTS

Divorce at this stage of life has its downsides, and may include:

- Emotional upset
- Need for a change in residence
- Loss of savings and property
- Retirement disruption
- Loss of income

IMPORTANT: Securing a reverse mortgage during a divorce settlement may be a solution to provide funds to settle an existing property split. It may also provide the ability to preserve existing retirement funds rather than disrupt a retirement plan.

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FINANCIAL CONSIDERATIONS OF SILVER DIVORCE

- Dividing a lifetime of assets, the home, and retirement accounts presents a challenge
- These divided assets may not provide adequate retirement funds for them individually
- Retirement can be more difficult as retirement plans and other goals currently in place may no longer apply

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Divorce attorneys must take retirement concerns into account while splitting assets. The home is the largest asset for an average America couple in their 50’s and 60’s. Sensibly used; reverse mortgages can provide enough income for both spouses without disrupting an existing retirement plan.

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WHY IS THE USE OF HOME EQUITY GENERALLY NOT SUGGESTED?

03

HOME EQUITY AS A SOLUTION

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What is a Reverse Mortgage?

- HECM is a federally insured reverse mortgage for homeowners aged 62+
- Reverse mortgages convert a percentage of home equity into cash or line of credit
- FAR's proprietary HomeSafe addresses homes that do not meet HECM criteria
- FAR's EquityAvail Retirement Mortgage offers yet another option for retirees and pre-retirees

MISCONCEPTIONS

- The home must be debt free before client can qualify.
- The bank owns the home.
- The heirs incur any outstanding mortgage debt.

SAFEGUARDS

- Non-Recourse – Mortgage Insurance Premium*
- Financial Assessment
- 1st year draw restrictions*
- Non-Borrowing Spouse*
- Mandatory 3rd Party Counseling

*HECM

FAR HECM

HECM (Home Equity Conversion Mortgage) - borrowers aged 62 and over

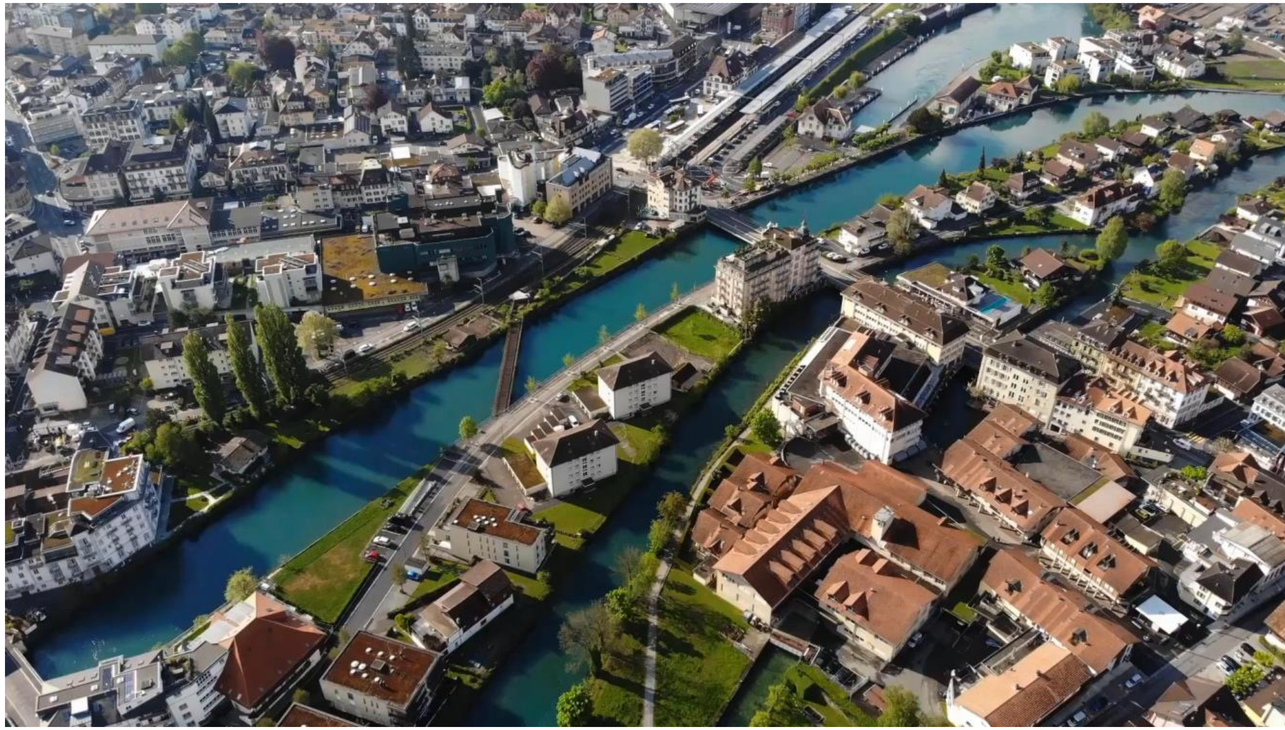
still the most popular reverse mortgage product- FHA MIP safeguards

Available nationwide*

Non-recourse loan

Non borrowing spouse protections

Fixed and adjustable-rate options



* Based on licensing required

FAR HomeSafe®

HomeSafe® is a proprietary product offered exclusively from Finance of America Reverse.

HomeSafe® features include:

- Lower fees with no MIP
- Non-recourse loan
- Flexible payout options
- Fixed and adjustable products
- Line of credit option through the HomeSafe® Select product

HomeSafe® qualifying age as low as 55, based on state availability.

How Does FAR EquityAvail® Work?

EquityAvail® combines the features of both traditional mortgages and reverse mortgages. Like a traditional mortgage, it involves 10 years of monthly mortgage payments and then mirrors a reverse mortgage by eliminating the monthly mortgage requirement for the remaining life of the loan. FAR's Learning and Development division provides in-depth training on the EquityAvail® product.

Fixed Payment
(partial interest only)

FIRST 10 YEARS

Monthly Mortgage Payment Disappears*

AFTER 10 YEARS

*EquityAvail® monthly payments are partial interest only payments.

*The borrower must continue to pay taxes and insurance.

THE "SILVER" LINING WITH DIVORCE OVER 55

HOW IS USING HOME EQUITY SOLUTION?

THE CHALLENGE

One Spouse Stays in the Home:

- One retains the marital home and obtains a reverse mortgage
  refinance to provide liquidity for the separating spouse.

- That spouse could use those funds along with a Reverse for Purchase to obtain a new home.

The borrower must occupy the property as their primary residence in order to uphold the terms of the reverse mortgage loan. In all examples, it is implied that this is the borrower's primary residence. The borrower must also pay property charges, including property taxes, fees, and hazard insurance, and must maintain the home. The loan will need to be repaid if these or other loan obligations are not met.

THE CHALLENGE

Both Spouses Leave the Home:

- Sell the property, split the proceeds, and obtain a Reverse for Purchase on new properties for both.
- Gives each an ownership interest in a new home with no required monthly mortgage payments.

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04

CASE STUDIES & DISCUSSION

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Option One

One Spouse Stays in the Home

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HOW IT WORKS?

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Utilizing an FHA Insured HECM

- The Home Equity Conversion Mortgage can be a good option for Jim.

- He will be able to pay Sandy the amount they agreed upon and he can remain in the home with no required monthly mortgage payments.

- Jim will be required to live in the home as his primary residence and he must keep real estate taxes, and homeowner insurance current at all times.

- This solution alleviates one significant hurdle for the divorce attorney.

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What about Sandy?

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SANDY USES REVERSE FOR PURCHASE

Cash for Purchase

Purchase Price – New Home	$400,000
Divorce Settlement	$250,000
Loan Proceeds	$0
Cash Required From Savings **(plus closing costs)**	**$150,000**

Reverse for Purchase

Purchase Price – New Home	$400,000
Divorce Settlement	$250,000
Reverse Purchase Proceeds	$160,785
Borrower Contribution	$239,215
Cash Available For Savings	**$10,785**

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This loan scenario has been prepared for illustrative purposes only and is based on the hypothetical borrower and loan assumptions noted. Loan terms potentially available to a borrower are based upon factors such as home value, mortgage payoffs, location, age, interest rates and payment plan chosen, and credit profile.
*Some fees such as home inspection paid out of pocket and not included in HECM closing costs.

HECM/Reverse Purchase Option

The HECM for Purchase (H4P) allows clients to purchase a new principal residence using loan proceeds from the reverse mortgage along with a one-time equity contribution from the borrower.

Real estate agents and builders can work together to help more borrowers purchase the "right-sized" property without a required monthly mortgage payment.

Option Two

Both Spouses Leave the Home

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THE "SILVER" LINING WITH DIVORCE OVER 55

BETTY AND RALPH USE REVERSE FOR PURCHASE

Cash for Purchase

Purchase Price – New Home	$475,000
Divorce Settlement	$375,000
Loan Proceeds	$0
Cash Required From Savings (plus closing costs)	**$100,000**

Reverse for Purchase

Purchase Price – New Home	$475,000
Divorce Settlement	$375,000
Reverse Purchase Proceeds	$167,280
Borrower Contribution	$307,720
Cash Available For Savings*	**$67,280**

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Option Three

FAR HomeSafe

BOB AND MARY USE FAR'S HOMESAFE® PRODUCT

Home Value	$900,000.00
Current Mortgage	$0.00
HomeSafe® Proceeds	**$410,000.00**

Option Four

FAR EquityAvail®

GEORGE'S OPTIONS

Using FAR's Illustrator tool we see that the EquityAvail® retirement mortgage is the recommended option for George.

FAR HomeSafe Standard

Product structure can show lowest available rate, maximum lender credit, or maximum principal limit.

Cash to Borrower
-$69,350.00

Remaining Equity
$525,300.00

Interest Rate
9.24%

LTV
$324,700.00

FAR HECM

WHAT'S MISSING?

Recommended

FAR EquityAvail™

EquityAvail allows consumers to significantly lower payments for 10 years, and then eliminate them completely.

Cash to Borrower
$11,400.00

Remaining Equity
$440,300.00

Interest Rate
8.06%

LTV
$409,700.00

Max Claim Amount
$0.00

Closing Cost
$8,500.00

T&I Reserves
$4,800.00

Payment
$1,240.78

Taxes & Insurance
$800.00

Payment Term
10

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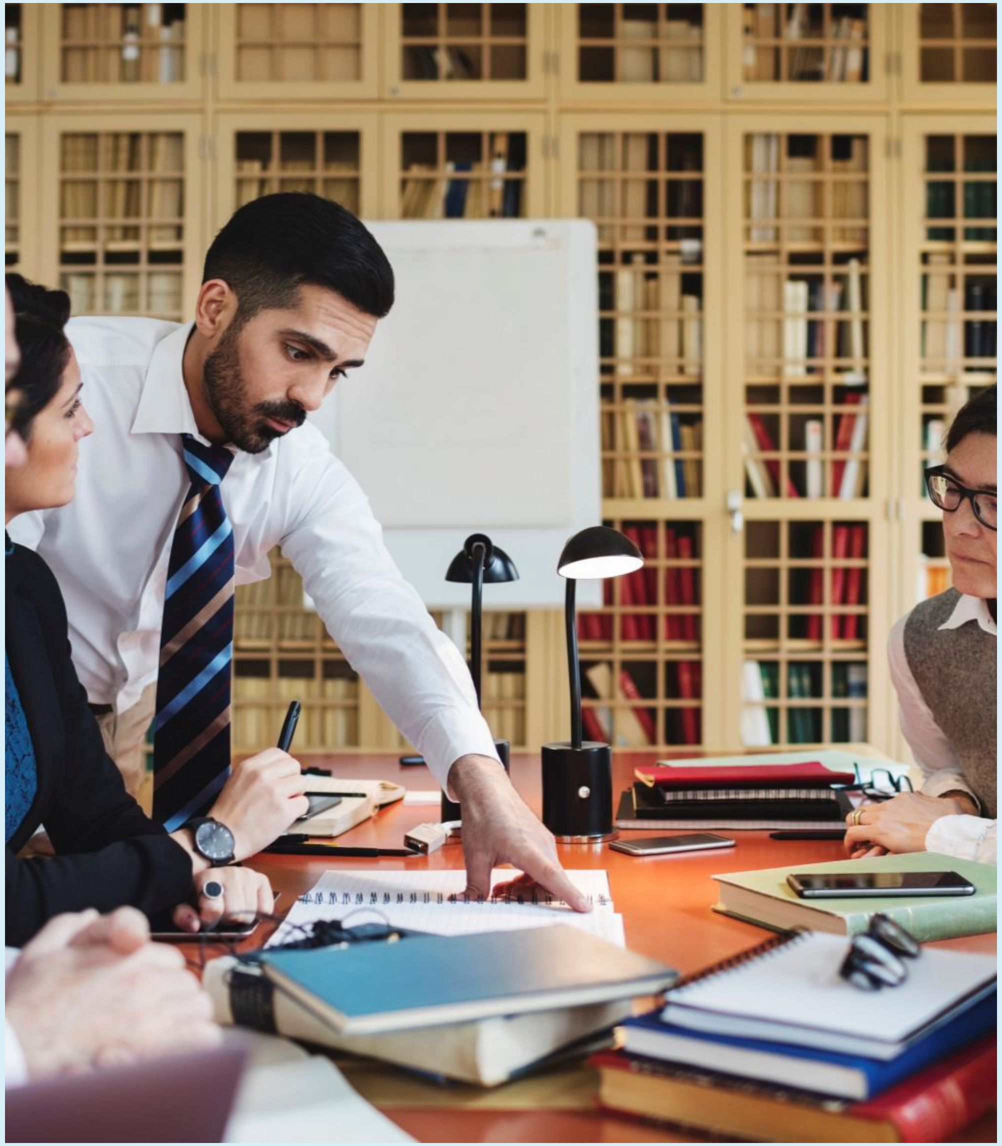
05

SUMMARY & NEXT STEPS



ESTABLISHING A REALTOR/ATTORNEY RELATIONSHIP

- The realtor relationship is key here. https://sres.realtor/
- Your realtor partners must be educated about this type of transaction.
- Build your team: Introduce your realtor partners and the divorce attorney to be sure it's a good fit.
- Example: Ilimni Institute offers education for realtors who want to learn about the divorce niche. You may select some of these realtors as part of the go-to team for this type of transaction. www.ilimniinstitute.com

INTRODUCING THIS CONCEPT TO THE DIVORCE ATTORNEYS

1. Know the players in your community
2. Seek out warm introductions from other professionals
3. Look up local bar associations and identify divorce attorneys in your area
4. Research your local American Academy of Matrimonial Lawyers (AAML)
5. Be sure the attorney knows you are aligned with real estate professionals who also understand the housing needs of the divorcing client

KEY ORGANIZATIONS

AAML™ AMERICAN ACADEMY OF MATRIMONIAL LAWYERS

ABA® AMERICAN BAR ASSOCIATION

ilumni INSTITUTE

Divorce Lending Association
Certified Divorce Lending Professional

National Association of Divorce Professionals

idfa Institute for Divorce Financial Analysts

CDC CDC Certified Divorce Coach®
The Professional Standard for Personal Divorce Coaching™

THE "SILVER" LINING WITH DIVORCE OVER 55

FINAL THOUGHTS







FINAL THOUGHTS

"While the use of home equity can be an important consideration, it is essential that the divorcing older couple build a team of experts to provide advice on various matters to be addressed.

In addition to the attorney or mediator, the team should include a financial advisor and an accountant."

Jacqueline Newman, Managing Partner
Berkman, Bottger, Newman & Schein, LLP

Thank you for attending!

Questions? FAR is here for you!

Learning & Development – training@FAR.com

FAR Wholesale Sales Support – SS@FAR.com

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ACCREDITED BUSINESS

EQUAL HOUSING LENDER

MEMBER National Aging in Place NAIPC Council

NRMLA National Reverse Mortgage Lenders Association