

Welcome to!

National Reverse Mortgage Lenders Association's
ANNUAL MEETING & EXPO

September 24-26th 2024



SAN DIEGO

P r e g a m e a n n o u n c e m e n t s

- These are observations, NOT legal recommendations
- Junior referees have been given whistles
- You don't have to agree with our calls
- Your officials for today...



General Rules of the Game

- Don't fumble definitive statements
- Be accurate with your passes
- Don't go out of bounds
- Learn the playbooks



1. LOC growth

Hello, Mrs. Smith. I understand you wanted clarification on the line of credit growth. It's just like the interest you get on your bank accounts. With the HECM LOC, you will be earning at least that much and probably closer to 7% annually.

No. The LOC growth is not income, earnings, interest, or a return on your home equity. It is simply a greater capacity to borrow.



2 . T a x - f r e e c a s h

Hi, Mr. Moore. The last time we spoke we were discussing the financial planning strategies of the reverse mortgage. One of the key advantages we discussed is that the reverse mortgage offers you tax free money.

The CFPB views this as deceptive. Disbursements are not taxed as income, but other taxes must be paid at closing and in the future, like property taxes, intangible taxes, transfer taxes, and more.



3 . P a r t i a l p r e p a y m e n t s

Hello, Mr. Wilson. Yes, your partial prepayment will reduce your loan balance by \$25,000. But because payments are applied to mortgage insurance first, we can't increase your LOC until you've paid back all accrued MIP and accrued interest.

False. The LOC doesn't care what portion is paid. By reducing the outstanding balance, the borrower increases their net principal limit.



4 . R i s i n g d e b t , f a l l i n g e q u i t y

That's right, Mrs. Jones. Reverse mortgages are rising debt, falling equity loans. As your debt (the amount you owe) grows larger, your equity gets smaller.

Not necessarily. The home's value is the primary driver of home equity. With today's low principal limits, even low appreciation rates can outpace interest accruals.



Review the Amortization Schedule (Equity column)

5 . O n e b o r r o w e r m u s t b e 6 2

*Hello, David and Mable. I know that David is not yet 62. That's okay!
You are fine so long as one borrower is at least age 62 at the time we
close your loan.*

ALL HECM borrowers must be at least 62 years of
age as of the closing date. David, an NBS, is a
non-borrowing spouse and has no borrowing
ability without a refinance.



6 . T h e 6 - m o n t h r u l e

*Yes, Mrs. Rivera. You can still be a snowbird, living part of the year in Florida. However, you **MUST** be in the home for at least 6 months and a day (183 days), or the loan will mature.*

No, there is no 6-month rule. It simply doesn't exist. HUD defines principal residence as where the borrower typically spends the majority of a calendar year. But don't forget the 2-month rule!



7 . Repair set-aside

*That's okay, Mr. Taylor. The repairs don't need to be done right away.
You can have 12 months to complete the work on your home.*

HUD may allow up to 12 months, but the repair rider governs the timeline (Loan Agreement Ex2). Most riders will show 6 months. If repairs are not completed after the listed timeframe, and allowable extensions, the loan is in default. At this point all funds will be frozen.



8 . T a x d e d u c t i o n

That's right, Mr. Smith. When you make voluntary partial prepayments, you will receive a 1098 tax deduction.

You will receive an IRS Form 1098 after a payment greater than \$600. But we cannot determine whether that results in a deduction. Mortgage insurance is not currently deductible, and mortgage interest must be tied to “*acquisition indebtedness* .”



9 . B o r r o w a g a i n s t e q u i t y

What is a reverse mortgage? A reverse mortgage is loan that allows seniors to borrow against the equity in their home.

The reverse mortgage is secured by the home, NOT the equity. For example, a homeowner with a \$300k home and \$10k in equity cannot borrow against her \$10k equity.



10 . O v e r f u n d i n g a p u r c h a s e

Hi, Bill. Regarding your upcoming HECM for Purchase. Yes, you can bring more money to closing if you wish. You will have a line of credit established, and you can draw that money back at any time.

When overfunding a purchase, your mandatory obligations only includes that portion of the principal limit applied at closing. Therefore, the initial disbursement limit may be restricted.



11. Debt Elimination

Hi, Sarah. Think about all the debts we can eliminate with your reverse mortgage. Imagine how much peace this will give you to be debt free.

While a reverse mortgage can eliminate a required monthly P&I mortgage payment, the reverse mortgage itself does not eliminate debt. Rather it transfers, or consolidates, debt.

