

Welcome to!

National Reverse Mortgage Lenders Association's

ANNUAL MEETING & EXPO

September 24-26th 2024



SAN DIEGO

Effective Strategies For Selling the HECM For Purchase

Moderator: Rob Cooper, Purchase Leader, Longbridge Financial LLC

Presenters:

- Jeff Cota, CRMP, CrossCountry Mortgage
- Christine Jensen, CRMP, SVP, Reverse Lending, Fairway Independent Mortgage Corp.

Sources of Down Payment for Older Homebuyers

Age of Homebuyer

	44 to 58	59 to 68	69 to 77	78 to 98
Savings	53%	43%	39%	39%
Proceeds from sale of primary residence	37	52	60	53
Gift from relative or friend	7	2	1	1
Sale of stocks or bonds	7	4	6	6
401k/pension fund including a loan	8	5	2	1
Inheritance	4	5	4	1
Loan from relative or friend	3	1	1	2
Proceeds from sale of real estate other than primary residence	3	4	3	4
Equity from primary residence buyer continues to own	1	2	2	2
Tax Refund	2	1	*	*
Individual Retirement Accounts (IRA)	2	4	3	2
Loan or financial assistance from source other than employer	1	*	*	*
Sale of crypto currency	1	*	*	*
Loan from financial institution other than a mortgage	1	1	2	1
Loan or financial assistance through employer	1	*	*	*

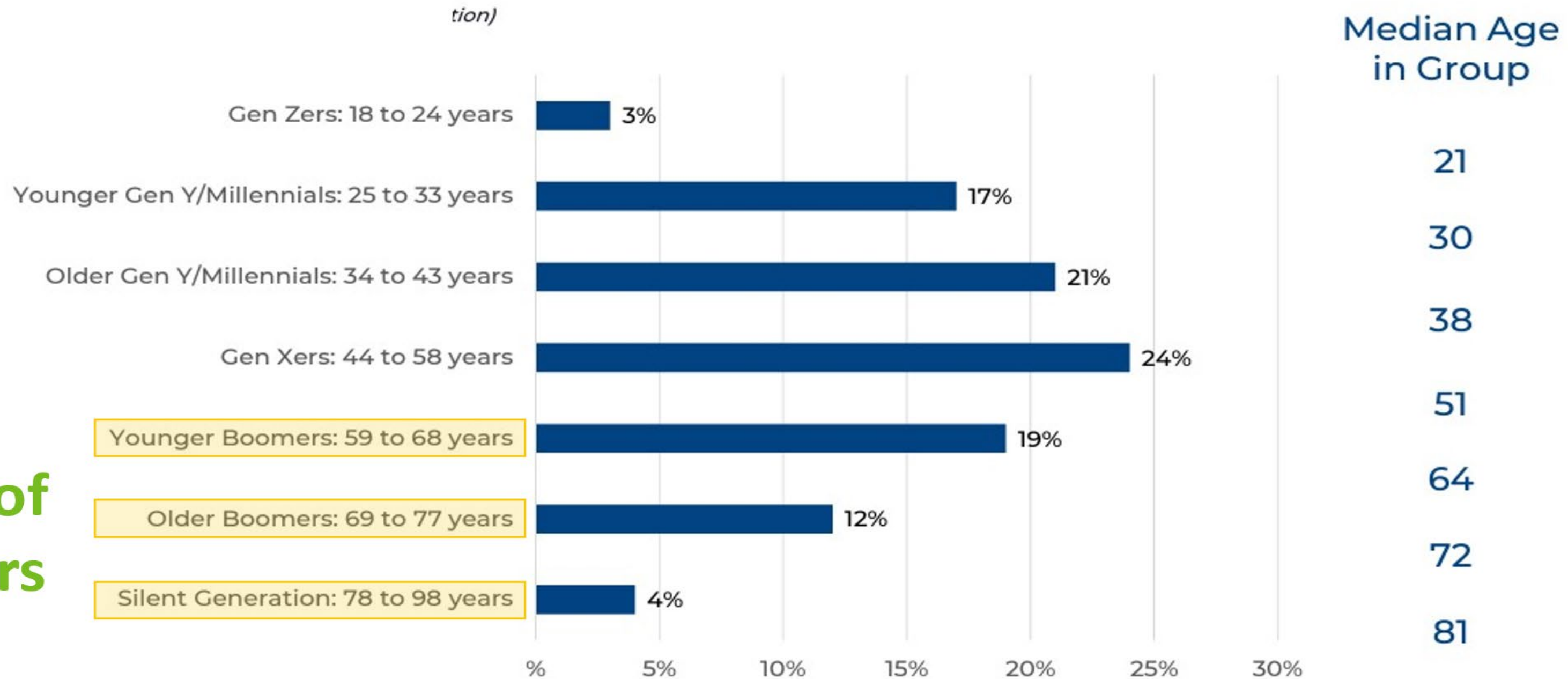
* Less than 1%

Source: 2024 NAR Home Buyers and Sellers Generational Trends. cdn.nar.realtor/sites/default/files/documents/2024-home-buyers-and-sellers-generational-trends-04-03-2024.pdf

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A Growing Need for This Type of Financing

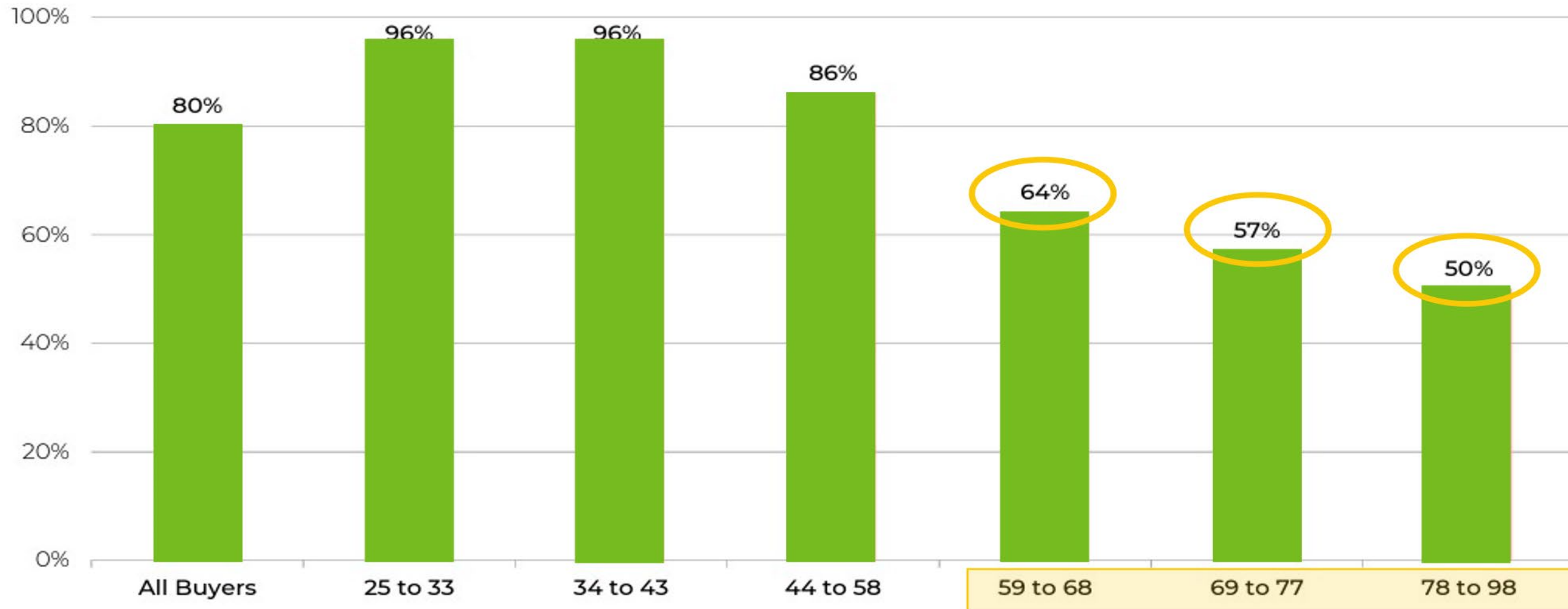
35% of Buyers



Source: 2024 NAR Home Buyers and Sellers Generational Trends. cdn.nar.realtor/sites/default/files/documents/2024-home-buyers-and-sellers-generational-trends-04-03-2024.pdf

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Buyers Who Financed Their Home Purchase



Source: 2024 NAR Home Buyers and Sellers Generational Trends. cdn.nar.realtor/sites/default/files/documents/2024-home-buyers-and-sellers-generational-trends-04-03-2024.pdf

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Percent of Home Financed

	Age of Homebuyer			
	44 to 58	59 to 68	69 to 77	78 to 98
Less than 50%	15%	22%	31%	29%
50% to 59%	5	9	14	11
60% to 69%	6	9	11	9
71% to 79%	14	12	9	15
80% to 89%	22	19	18	14
90% to 94%	12	10	4	8
95% to 99%	12	8	4	7
100% – Financed the entire purchase price with a mortgage	13	9	9	6
Median percent financed	85%	78%	65%	71%

Source: 2024 NAR Home Buyers and Sellers Generational Trends. cdn.nar.realtor/sites/default/files/documents/2024-home-buyers-and-sellers-generational-trends-04-03-2024.pdf

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Amortization Schedule

Borrower Name: Christine Jensen-Sample

Loan# / Case#:	9810158742	Expected Interest Rate:	6.770%	Refinance:	no
Age of Youngest Borrower:	72	Initial Property Value:	\$800,000.00	Expected Appreciation:	4.000%
Beg. Mortgage Balance:	\$306,400.00	Max. Claim Amount:	\$800,000.00	Monthly Disbursement:	\$0.00
Monthly Servicing Fee:		Initial Principal Limit:	\$306,400.00	Initial Line of Credit:	\$0.00
Life Expectancy Set Aside:	\$0.00	Loan Contribution:	\$280,628.55	Product Type:	1y cmt
LESA Semi-annual Disbursement:	\$0.00	Cash Investment:	\$519,371.45	Financed Closing Cost:	\$25,771.45

Note: Actual interest and property value projections may vary from amounts shown. Available credit will be less than projected if funds are withdrawn from the line of credit, if applicable. Actual Life Expectancy Set Aside payments, if applicable, may increase or decrease from the amounts shown based on changes to the property charge costs. The Actual Life Expectancy Set Aside Balance may vary depending on the age of youngest borrower, the interest rate, and changes to the property charge costs. The projections are for illustrative purposes only.

Annual Totals

End of Year Projection

Year	Age	SVC Fee	LESA Disbmt.	Monthly Disbmt.	MIP	Interest	Loan Balance	LESA Balance	Line of Credit	Principal Limit	Property Value	Equity
0	72	0	0	0	0	0	306,400	0	0	306,400	800,000	493,600
1	73	0	0	0	1,584	21,449	329,433	0	0	329,433	832,000	502,567
2	74	0	0	0	1,703	23,061	354,197	0	0	354,197	865,280	511,083
3	75	0	0	0	1,831	24,794	380,823	0	0	380,823	899,891	519,068
4	76	0	0	0	1,969	26,658	409,450	0	0	409,450	935,887	526,437
5	77	0	0	0	2,117	28,662	440,229	0	0	440,229	973,322	533,093
6	78	0	0	0	2,276	30,817	473,322	0	0	473,322	1,012,255	538,933
7	79	0	0	0	2,447	33,133	508,902	0	0	508,902	1,052,745	543,843
8	80	0	0	0	2,631	35,624	547,158	0	0	547,158	1,094,855	547,697
9	81	0	0	0	2,829	38,302	588,288	0	0	588,288	1,138,649	550,361
10	82	0	0	0	3,041	41,181	632,511	0	0	632,511	1,184,195	551,684
11	83	0	0	0	3,270	44,277	680,058	0	0	680,058	1,231,563	551,505
12	84	0	0	0	3,516	47,605	731,180	0	0	731,180	1,280,826	549,646
13	85	0	0	0	3,780	51,184	786,144	0	0	786,144	1,332,059	545,915
14	86	0	0	0	4,064	55,032	845,240	0	0	845,240	1,385,341	540,101
15	87	0	0	0	4,370	59,169	908,779	0	0	908,779	1,440,755	531,976
16	88	0	0	0	4,698	63,616	977,093	0	0	977,093	1,498,385	521,292
17	89	0	0	0	5,052	68,398	1,050,543	0	0	1,050,543	1,558,320	507,777
18	90	0	0	0	5,431	73,540	1,129,515	0	0	1,129,515	1,620,653	491,138
19	91	0	0	0	5,840	79,068	1,214,423	0	0	1,214,423	1,685,479	471,056
20	92	0	0	0	6,279	85,012	1,305,713	0	0	1,305,713	1,752,899	447,186
21	93	0	0	0	6,751	91,403	1,403,866	0	0	1,403,866	1,823,014	419,148
22	94	0	0	0	7,258	98,273	1,509,398	0	0	1,509,398	1,895,935	386,537
23	95	0	0	0	7,804	105,661	1,622,862	0	0	1,622,862	1,971,772	348,910
24	96	0	0	0	8,390	113,604	1,744,856	0	0	1,744,856	2,050,643	305,787
25	97	0	0	0	9,021	122,143	1,876,021	0	0	1,876,021	2,132,669	256,648
26	98	0	0	0	9,699	131,325	2,017,045	0	0	2,017,045	2,217,976	200,931
27	99	0	0	0	10,428	141,197	2,168,670	0	0	2,168,670	2,306,695	138,025
28	100	0	0	0	11,212	151,811	2,331,693	0	0	2,331,693	2,398,963	67,270

Case study

- 72-year-old couple, purchasing an \$800,000 home.
- They own an IRA that requires a Required Minimum Distribution (RMD) of at least \$90,422 annually
- After exploring options, they find that financing a portion of the purchase of their new home, rather than paying all cash, is the better option. They finance \$306,400 via HECM for Purchase.
- They opt for making no payments for the first three years. At the beginning of year three, they choose to take their entire RMD of \$90,422 and make a prepayment toward their HECM.

When they make the payment toward the HECM, the rules require that the amount paid goes first toward MIP, then to interest accrued. Thus:

After paying off the portion of the loan that funded the upfront MIP (\$16,000) and the accrual of annual MIP (~\$1,584 first year), the rest of the amount paid toward the balance goes to interest, then to principal.

In our example:

\$21,449 1st year

\$23,061 2nd year

\$24,794 3rd year

Total: Nearly \$69,304 in Acquisition Indebtedness over the three years

When this client pays all \$90,422 toward the reverse balance, they harvest a deduction of \$69,304 to help offset the tax on the RMD. Thus, rather than paying, 22% tax on \$90,422 RMD income = \$19,892.84 in tax cost, they would instead pay 22% on \$21,118 net after AI = \$4,645.96 in tax.

That's a tax savings of over \$15k. You're welcome.

Deduction for Home Mortgage Interest to Offset Tax on RMD

**Caveat – Can't go into the credit line, then
immediately withdraw the exact same amount.**

**If done, the deduction would be disallowed.
“Substantial economic effect”**

Let's be objective with our clients.

Helpful hint alert:

**Refinance gets a 1098 of interest
that accrued on the loan that was
paid off.**

Delayed

Financing

NEWSPAPER LA



Department
of the
Treasury

Internal
Revenue
Service

Publication 936

Cat. No. 10426G

Home Mortgage Interest Deduction

For use in preparing

2023 Returns

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Mortgage treated as used to buy, build, or substantially improve home. A mortgage secured by a qualified home may be treated as home acquisition debt, even if you don't actually use the proceeds to buy, build, or substantially improve the home. This applies in the following situations.

1. You buy your home within 90 days before or after the date you take out the mortgage. The home acquisition debt is limited to the home's cost, plus the cost of any substantial improvements within the limit described below in (2) or (3). (See *Example 1*, later.)



Amortization Schedule

Borrower Name: Christine Jensen-Sample

Loan# / Case#:	9810158742	Expected Interest Rate:	6.750%	Refinance:	yes
Age of Youngest Borrower:	72	Initial Property Value:	\$800,000.00	Expected Appreciation:	4.000%
Beg. Mortgage Balance:	\$183,840.00	Max. Claim Amount:	\$800,000.00	Monthly Disbursement:	\$0.00
Monthly Servicing Fee:		Initial Principal Limit:	\$306,400.00	Initial Line of Credit:	\$122,560.00
Life Expectancy Set Aside:	\$0.00	Initial Advance:	\$157,878.65	Product Type:	1y cmt
LESA Semi-annual Disbursement:	\$0.00	Liens Payoff:	\$0.00	Financed Closing Cost:	\$25,961.35

Note: Actual interest and property value projections may vary from amounts shown. Available credit will be less than projected if funds are withdrawn from the line of credit, if applicable. Actual Life Expectancy Set Aside payments, if applicable, may increase or decrease from the amounts shown based on changes to the property charge costs. The Actual Life Expectancy Set Aside Balance may vary depending on the age of youngest borrower, the interest rate, and changes to the property charge costs. The projections are for illustrative purposes only.

Annual Totals

End of Year Projection

Year	Age	SVC Fee	Lesas Disbmt.	Monthly Disbmt.	MIP	Interest	Loan Balance	Lesas Balance	Line of Credit	Principal Limit	Property Value	Equity
0	72	0	0	0	0	0	183,840	0	122,560	306,400	800,000	616,160
1	73	0	0	0	950	12,830	197,620	0	131,747	329,367	832,000	634,380
2	74	0	0	0	1,022	13,792	212,434	0	141,622	354,056	865,280	652,846
3	75	0	0	0	1,098	14,825	228,357	0	152,238	380,595	899,891	671,534
4	76	0	0	0	1,181	15,937	245,475	0	163,650	409,124	935,887	690,412
5	77	0	0	0	1,269	17,131	263,875	0	175,917	439,792	973,322	709,447
6	78	0	0	0	1,364	18,416	283,655	0	189,103	472,758	1,012,255	728,600
7	79	0	0	0	1,466	19,796	304,917	0	203,278	508,195	1,052,745	747,828
8	80	0	0	0	1,576	21,280	327,773	0	218,515	546,288	1,094,855	767,082
9	81	0	0	0	1,694	22,875	352,342	0	234,895	587,237	1,138,649	786,307
10	82	0	0	0	1,821	24,590	378,753	0	252,502	631,255	1,184,195	805,442
11	83	0	0	0	1,958	26,433	407,144	0	271,429	678,573	1,231,563	824,419
12	84	0	0	0	2,105	28,414	437,663	0	291,775	729,438	1,280,826	843,163
13	85	0	0	0	2,263	30,544	470,469	0	313,646	784,115	1,332,059	861,590
14	86	0	0	0	2,432	32,833	505,735	0	337,156	842,891	1,385,341	879,606
15	87	0	0	0	2,614	35,295	543,644	0	362,429	906,073	1,440,755	897,111
16	88	0	0	0	2,810	37,940	584,394	0	389,596	973,990	1,498,385	913,991
17	89	0	0	0	3,021	40,784	628,199	0	418,800	1,046,999	1,558,320	930,121
18	90	0	0	0	3,248	43,841	675,288	0	450,192	1,125,480	1,620,653	945,365
19	91	0	0	0	3,491	47,128	725,907	0	483,938	1,209,844	1,685,479	959,572
20	92	0	0	0	3,753	50,660	780,319	0	520,213	1,300,532	1,752,899	972,580
21	93	0	0	0	4,034	54,458	838,811	0	559,207	1,398,018	1,823,014	984,203
22	94	0	0	0	4,336	58,540	901,687	0	601,124	1,502,811	1,895,935	994,248
23	95	0	0	0	4,661	62,928	969,275	0	646,184	1,615,459	1,971,772	1,002,497
24	96	0	0	0	5,011	67,645	1,041,931	0	694,620	1,736,551	2,050,643	1,008,712
25	97	0	0	0	5,386	72,715	1,120,032	0	746,688	1,866,720	2,132,669	1,012,637
26	98	0	0	0	5,790	78,166	1,203,988	0	802,658	2,006,646	2,217,976	1,013,988
27	99	0	0	0	6,224	84,025	1,294,237	0	862,824	2,157,061	2,306,695	1,012,458
28	100	0	0	0	6,691	90,323	1,391,250	0	927,500	2,318,750	2,398,963	1,007,713

Case study

- Same 72-year-old couple, purchasing an \$800,000 home.
- They still own an IRA that requires an RMD of at least \$90,422 annually
- Initially they pull funds from investments to pay cash for the home, then determine they want their cash back. Smart move! They get a HECM after the fact, but within 90 days of purchase, but now can only access 60% of the Principal Limit at closing.
- Of the \$306,400 Principal Limit, they can pull \$183,840 at closing.
- They opt for making no payments for the first FOUR years. At the beginning of year FOUR, they choose to take their entire RMD of \$90,422 and make a prepayment toward their HECM.

When they make the payment toward the HECM, the rules require that the amount paid goes first toward MIP, then to interest accrued. Thus:

After paying off the portion of the loan that funded the UFMIP (\$16,000) and the accrual of annual MIP (~\$4,251 over the four years), the rest of the amount paid toward the balance goes to interest, then to principal.

In our new example:

\$12,830 1st year

\$13,792 2nd year

\$14,825 3rd year

\$15,937 4th year

Total: Nearly \$57,384 in Acquisition Indebtedness/delayed financing over the four years

When this client pays all \$90,422 toward the reverse balance, they harvest a deduction of \$57,384 to help offset the tax on the RMD.

Thus, rather than paying, 22% tax on \$90,422 RMD income = \$19,892.84 in tax cost,

they would instead pay 22% on \$33,038 net after AI = \$7,268.36 in tax.

That's a tax savings of over \$12,600. You're still welcome.

Friends Don't Let Friends Pay All Cash Case Study :

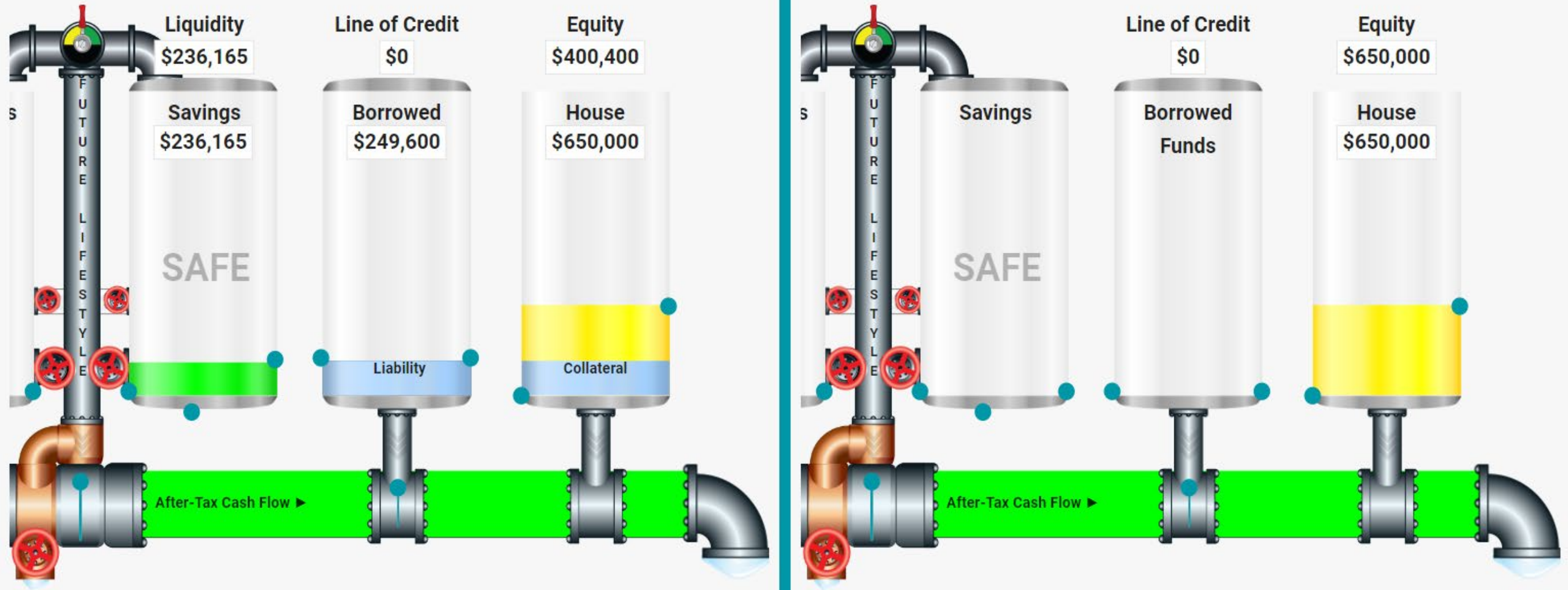
A 68 yr. old couple are looking to sell their existing home, netting \$661,000 in the process. Their goal is to live comfortably in retirement by having no mortgage payments. They have a modest pension and SS income but nothing significant in terms of savings or assets.

Comparing Mortgage Strategies

Reverse		Forward
650,000.00	House Value	650,000.00
4%	Appreciation Rate	4%
225,165.05	Loan Amount	0.00
24,434.95	Financed Closing Costs	0.00
424,834.95	Cash Due at Closing	661,000.00
6.375%	Interest Rate	0%
68	Youngest Spouse Age	Loan Term (Years)
0.00	Optional Payment	Monthly Payment
	Side Fund	
20%	Income Tax Rate	20%
661,000	Savings Account Balance	661,000
5%	Rate of Return	5%
<input type="checkbox"/>	Taxable N/Y	<input type="checkbox"/>

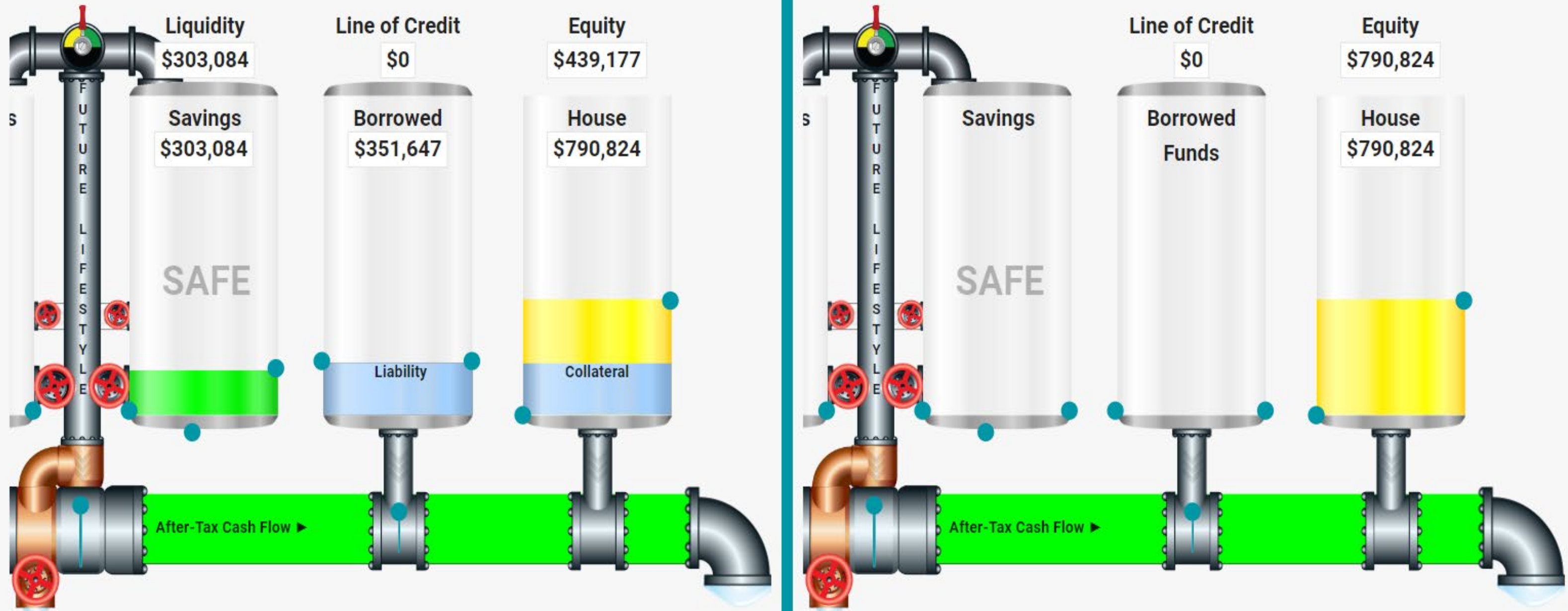
Reverse vs Forward Mortgage

Age |◀◀ 68 ▶▶| Step Scale



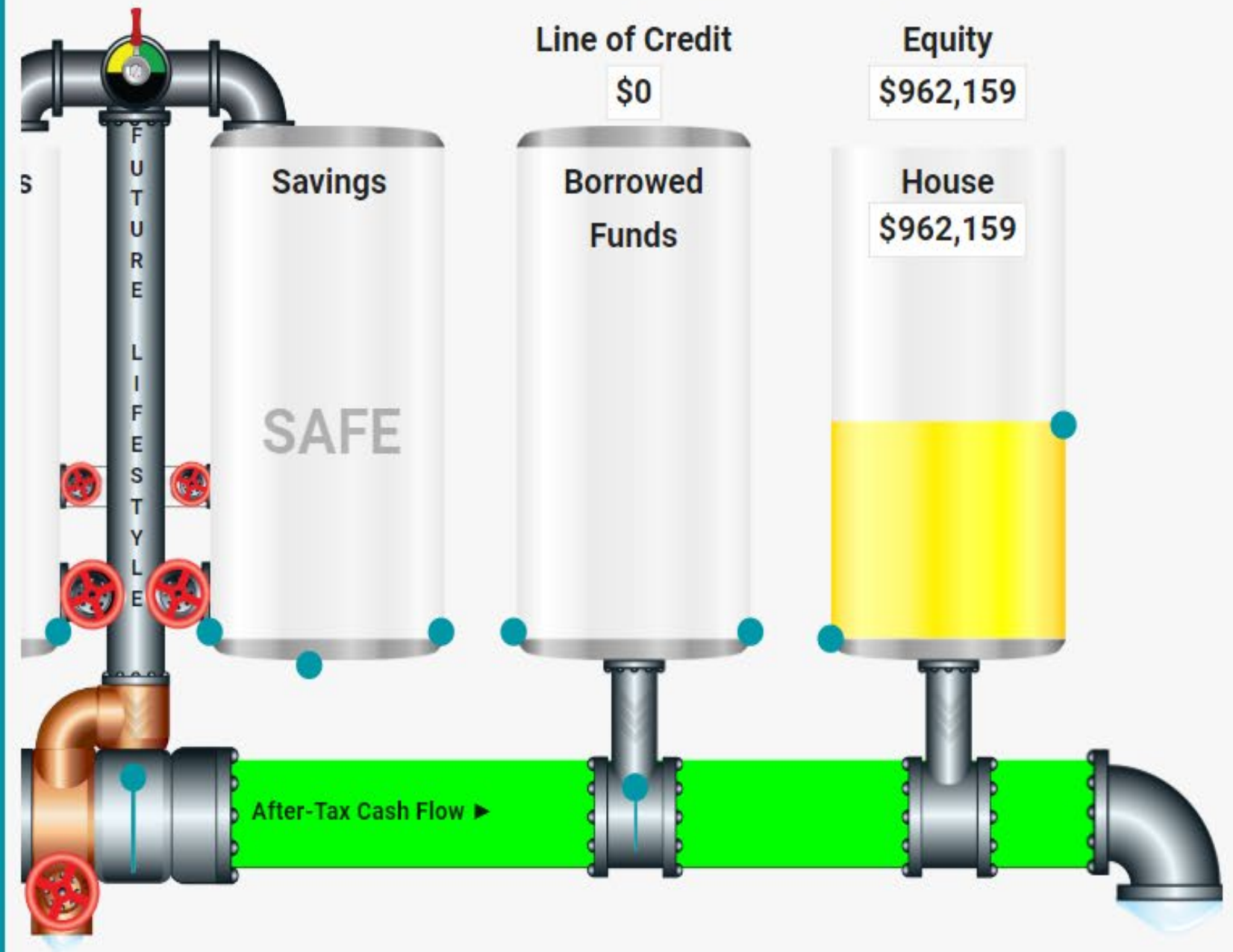
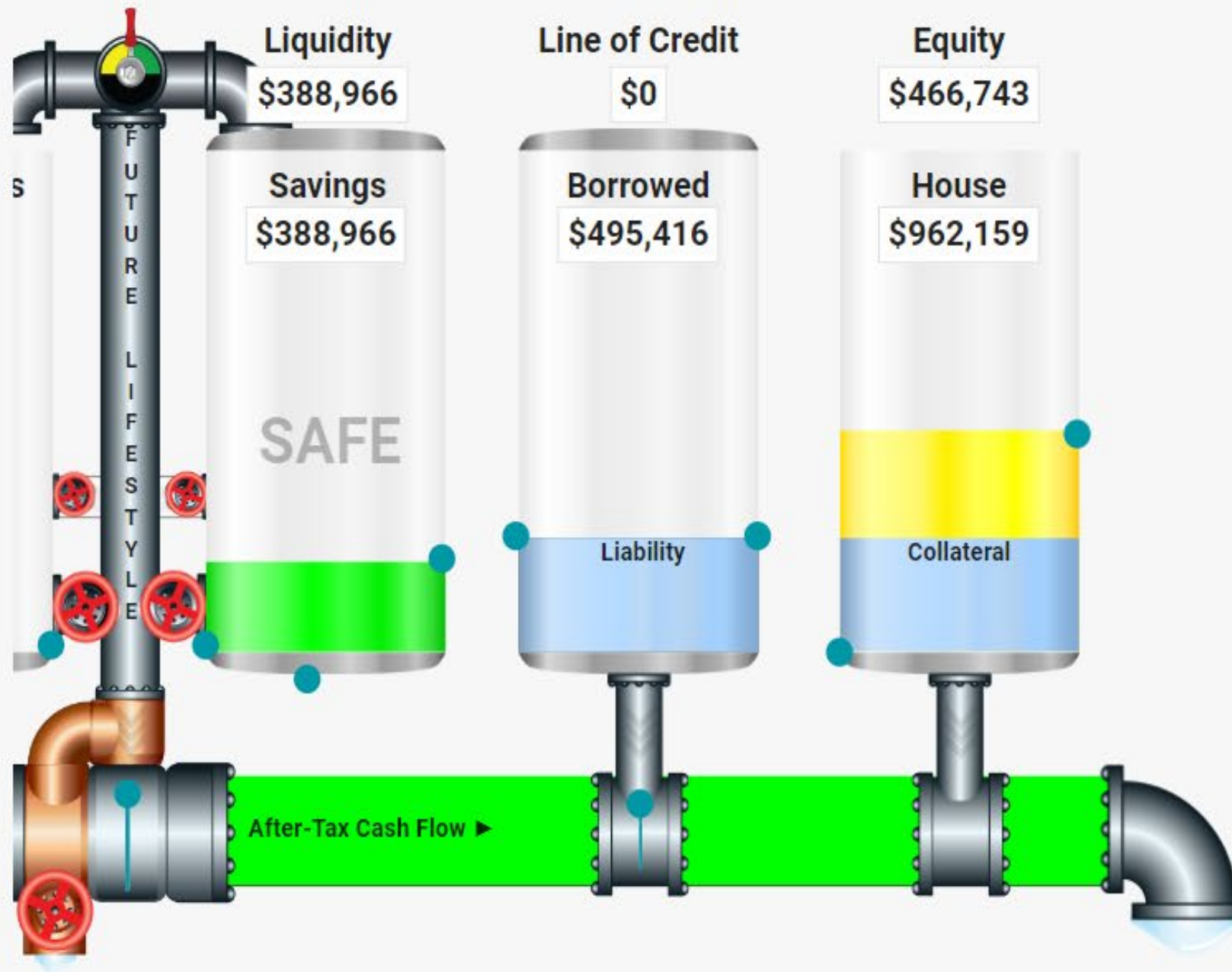
Reverse vs Forward Mortgage

Age |<< 73 >>| Step Scale



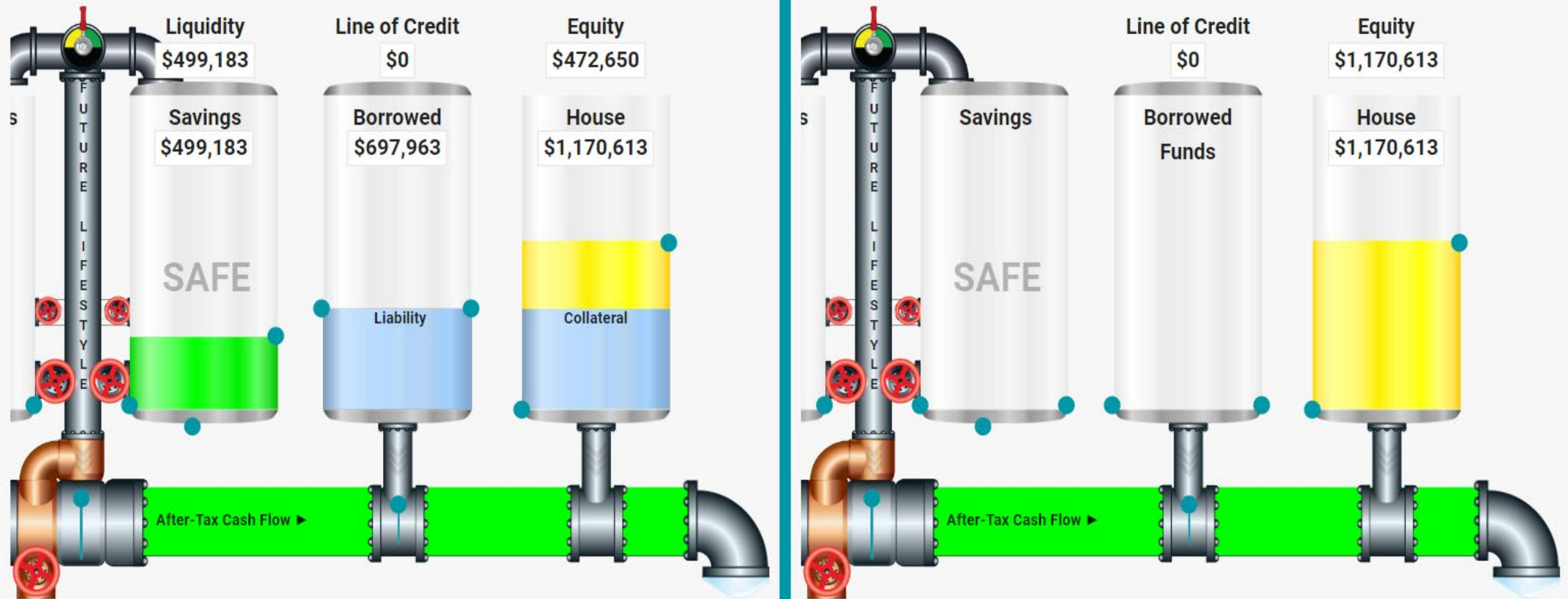
Reverse vs Forward Mortgage

Age |◀◀ 78 ▶▶| Step Scale



Reverse vs Forward Mortgage

Age |◀◀ 83 ▶▶| Step Scale



	Year	Interest Rate	Other Disbursement	Accum Disbursement	LOC	Interest	MIP Interest	Balance	Principal Limit	Property Growth Rate	Property Value	Equity	APR
0	2024	6.38	228,484	228,484	0	0	0	249,600	249,600	4.00	650,000	400,400	
1	2025	6.38	0.00	228,484	0	16,423	1,288	267,311	267,311	4.00	676,000	408,689	15.80
2	2026	6.38	0.00	228,484	0	17,588	1,379	286,279	286,279	4.00	703,040	416,761	11.33
3	2027	6.38	-50,000.00	178,484	50,000	18,836	1,477	256,593	306,593	4.00	731,162	474,569	9.84
4	2028	6.38	0.00	178,484	53,548	16,883	1,324	274,800	328,348	4.00	760,408	485,608	9.20
5	2029	6.38	0.00	178,484	57,348	18,081	1,418	294,300	351,647	4.00	790,824	496,524	8.78
6	2030	6.38	0.00	178,484	61,417	19,364	1,519	315,183	376,600	4.00	822,457	507,274	8.49
7	2031	6.38	0.00	178,484	65,775	20,738	1,627	337,548	403,322	4.00	855,356	517,808	8.28
8	2032	6.38	0.00	178,484	70,442	22,210	1,742	361,499	431,941	4.00	889,570	528,071	8.12
9	2033	6.38	0.00	178,484	75,441	23,786	1,866	387,151	462,591	4.00	925,153	538,002	7.99
10	2034	6.38	0.00	178,484	80,794	25,474	1,998	414,622	495,416	4.00	962,159	547,537	7.88
11	2035	6.38	0.00	178,484	86,527	27,281	2,140	444,043	530,570	4.00	1,000,645	556,602	7.80
12	2036	6.38	0.00	178,484	92,667	29,217	2,292	475,552	568,218	4.00	1,040,671	565,119	7.72
13	2037	6.38	0.00	178,484	99,242	31,290	2,454	509,296	608,538	4.00	1,082,298	573,002	7.66
14	2038	6.38	0.00	178,484	106,284	33,510	2,628	545,435	651,719	4.00	1,125,590	580,155	7.61
15	2039	6.38	0.00	178,484	113,826	35,888	2,815	584,138	697,963	4.00	1,170,613	586,475	7.56
16	2040	6.38	0.00	178,484	121,903	38,435	3,015	625,587	747,490	4.00	1,217,438	591,851	7.52
17	2041	6.38	0.00	178,484	130,553	41,162	3,228	669,978	800,530	4.00	1,266,135	596,157	7.48
18	2042	6.38	0.00	178,484	139,816	44,083	3,457	717,518	857,335	4.00	1,316,781	599,263	7.45
19	2043	6.38	0.00	178,484	149,738	47,211	3,703	768,432	918,169	4.00	1,369,452	601,020	7.42
20	2044	6.38	0.00	178,484	160,363	50,561	3,966	822,959	983,321	4.00	1,424,230	601,271	7.39
21	2045	6.38	0.00	178,484	171,742	54,149	4,247	881,354	1,053,096	4.00	1,481,199	599,845	7.37
22	2046	6.38	0.00	178,484	183,928	57,991	4,548	943,894	1,127,822	4.00	1,540,447	596,553	7.35
23	2047	6.38	0.00	178,484	196,979	62,106	4,871	1,010,871	1,207,850	4.00	1,602,065	591,194	7.33
24	2048	6.38	0.00	178,484	210,957	66,513	5,217	1,082,600	1,293,557	4.00	1,666,148	583,548	7.31
25	2049	6.38	0.00	178,484	225,926	71,233	5,587	1,159,420	1,385,346	4.00	1,732,794	573,374	7.29
26	2050	6.38	0.00	178,484	241,957	76,287	5,983	1,241,690	1,483,647	4.00	1,802,105	560,415	7.28
27	2051	6.38	0.00	178,484	259,126	81,700	6,408	1,329,798	1,588,924	4.00	1,874,190	544,392	7.26
28	2052	6.38	0.00	178,484	277,513	87,498	6,863	1,424,158	1,701,672	4.00	1,949,157	524,999	7.25
29	2053	6.38	0.00	178,484	297,205	93,706	7,350	1,525,214	1,822,419	4.00	2,027,123	501,909	7.24
30	2054	6.38	0.00	178,484	318,294	100,356	7,871	1,633,441	1,951,735	4.00	2,108,208	474,767	7.22
31	2055	6.38	0.00	178,484	340,880	107,477	8,430	1,749,347	2,090,226	4.00	2,192,537	443,190	7.21
32	2056	6.38	0.00	178,484	365,068	115,103	9,028	1,873,477	2,238,545	4.00	2,280,238	406,761	7.20
Total:		6.38	178,484			1,552,140	121,739			4.00			