



Myths, Misnomers and Magic ...the Reverse Mortgage and It's Place in the Real Estate Firmament

Janice Ramocinski
March 16, 2019

“Miranda” Warning...

This information is not from HUD nor the FHA and has not been approved by HUD or any governmental agency.

This information is proprietary and confidential to Pani Group Inc. dba PGI Reverse Mortgage Loans. It is not to be shared with any person without the prior written approval of Pani Group Inc.

This information is for financial professionals only. It is not an advertisement to be distributed to prospective reverse mortgage customers or the general public. The information contained may be incomplete as to any individual's unique facts and circumstances.

Reverse Mortgage Basics...

- Convert a **NON-LIQUID WEALTH ASSET** - primary residence equity -- into generally **TAX-FREE CASH**
- Types
 - HECM (Home Equity Conversion Mortgage) **INSURED** by the Federal Housing Administration (FHA) with a fixed or variable interest rate
 - Non-insured private lender jumbo reverse (fixed rate only)

HECM	PRIVATE JUMBO
Lump sum cash/pay off debt/buy a home (fixed or variable rate)	Lump sum cash/pay off debt/buy a home (fixed rate)
Periodic payments to you (variable rate only)	
Line of Credit (variable rate only)	
Combination of all of the above (variable rate only)	

- **NO** requirement to make a periodic principal and/or interest payment -- withdrawals accumulate, and interest and mortgage insurance accrue on the balances until the loan is due. However, borrower may make payments if they wish and take advantage of the tax deductibility of paying accrued interest and mortgage insurance to offset otherwise fully taxable income.
- Non-recourse to the borrower(s) - **NEVER OWE MORE** than the value of the home - the value of FHA insurance on a HECM

Eligibility Requirements

- Borrower(s)* must be at least 62 years old – special rules apply if one spouse is under age 62
- Sufficient equity in home – the older you are, the more you can borrow, i.e., the less equity needed. Generally, a 62 year old borrower needs about 60% equity
- “Financial assessment” -- sufficient financial resources to cover property taxes, homeowner insurance, HOA and home maintenance -- typically much easier to qualify for a reverse mortgage than a traditional “forward” mortgage
 - **FICO scores don’t matter**
 - No debt to income (DTI) requirements – qualification based on a residual cash formula
 - No cash or asset reserve requirements if credit history is adequate
- Satisfactory counseling session with an independent, HUD-approved counselor
- Primary residence (SFR, HUD-approved condo, manufactured home) with a satisfactory FHA/HUD home appraisal
- Loan becomes due after the last remaining occupant dies or leaves the property for 12 months

* Not just a single person or a married couple – consider sisters and/or/brothers and/or cousins with or with out spouses; parent(s) and child/children; unmarried couples; friends – any combination and relationship you can think of...

Sell

Stay

Downsize

What
can I
afford?



Maybe
Janice
can
help...



My daughter Susan and her three boys, the loves of my life, are moving and I don't know what to do...

But where Susan is moving is pretty expensive...but maybe I don't need such a big house.



Bob, you currently live in a desirable area, with good schools, easy freeway access, stores and necessities nearby. Your house is in great shape. You can get top dollar for your home. Homes in your neighborhood sell quickly.

But, Janice, I don't want to sell my home, which is part of my nest egg, and then send more of my savings to move near Susan and the boys...

Bob, I have the perfect solution for you!

Yes, Janice and her broad professional network can help Bob, as an older homeowner, list his current home and re-buy a smarter, more suitable, better located home...with no fuss, no muss.

Janice says, “Bob, you have choices...you have two great options...

Sell your existing home	\$600,000
Pay off your existing mortgage for	\$200,000

Cash left over from the sale	\$400,000

You can buy the perfect home near Jane...and you can choose exactly the new home you want...

	<i>Downsize</i>	<i>Upsize</i>
Cost of new home	\$550,000	\$680,000
Reverse mortgage proceeds	\$265,000	\$325,000
Down payment	\$285,000	\$355,000
Cash left in the bank	\$115,000	\$ 45,000
Monthly mortgage payment	\$0	\$0

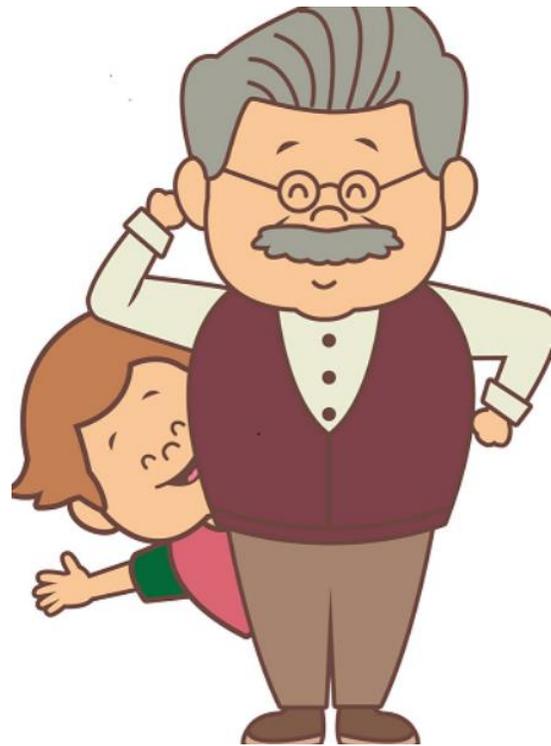


That sounds like two great options, but I've heard bad things about reverse mortgages and I'm not sure that is something I want to do.

Janice knows she can allay Bob's fears and get Bob started on his quest...

FICTION	FACT
With a reverse mortgage, Bob is selling his home to the bank.	Bob never gives up title or ownership of his home. The reverse mortgage is just a lien on the property like any other mortgage.
Reverse mortgages are costly and have high fees.	Interest rates are comparable to conventional FHA rates. To a great extent, fees are set by HUD and FHA.
When the loan balance grows bigger than the home value, Bob, or Susan after Bob dies, will be on the hook for the difference.	A reverse mortgage is a non-recourse loan. Neither Bob nor his estate will ever owe the lender more than the then current value of the home.
Reverse mortgages are a loan of last resort for people who are desperate.	Reverse mortgages are a smart financial planning tool and can be used in many smart and different ways.
Bob can never pay off the mortgage or sell the home.	Bob can pay off the mortgage any time or sell the home with no prepayment penalty.

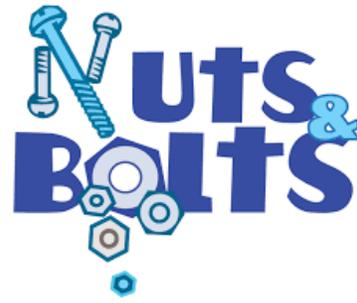
Janice, you've convinced me this is something I'd be crazy not to do. This will make me a really happy Grandpa! What's next?



Reverse Mortgage Process...

- ✓ Education
- ✓ Independent Counseling
- ✓ Application
- ✓ Processing Approval
- ✓ Closing

SOME



Costs...

- Some costs are controlled by the loan broker
- A good loan broker will “shop” for the best priced vendors
 - Appraisal \$ 475
 - Escrow, mobile notary, title insurance \$1,400
- Always comparison shop and negotiate!

Impact of interest rate margins on “Principal Limit”...

- Then
- Now
- Example for a 75 year old borrower owning a home valued at \$726,525 and borrowing with an annual LIBOR based HECM*:

Interest Margin	Initial Principal Limit
1.25%	\$375,000
1.50%	\$365,000
1.75%	\$355,000
2.00%	\$344,000
2.25%	\$335,000
2.50%	\$331,000

* As of 03/09/19

WHAT ELSE...

RENTER TO BUYER...

ASSUMPTIONS:

- 65 years
- Has \$350,000 in cash after sale of home
- Moved into a rental property starting at \$2,000 per month
- Will spend \$350,000 paying rent for 13 years with 1% rent increases
- **INSTEAD** - buy a home for \$400,000 with \$224,000 down and a \$176,000 reverse mortgage
- Live mortgage payment free for the rest of life
- Retain \$126,000 in savings to invest, travel, pay for granddaughter's college, etc
- **OPPORTUNITY** - pass on equity to heirs...

BUY AN INVESTMENT PROPERTY... BUY A VACATION HOME

ASSUMPTIONS:

- **Refinance current free & clear home with a reverse mortgage**
- **Proceeds from reverse mortgage \$350,000**
- **Buy rental property for \$350,000**
- **Net income/monthly cash from rental...\$1,000 - \$3,000**
- **Vacation home = family memories and legacy**
- **No monthly mortgage payment...**

THANK YOU!

All of my business comes from referrals from happy borrowers or professional advisors. If you know anyone who would be interested in learning more, please pass them my contact information!

Janice Ramocinski MBA, CPA
CA Real Estate Broker #01076946
NMLS #5898

janice@pgireverse.com
714.920.5413 cell
714.202.3164 fax

PGI Reverse Mortgage Loans
www.pgireverse.com

MOVING LIFE FORWARD WITH A REVERSE MORTGAGE!