



## CONTACT



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## REVERSE MORTGAGES. GET THE FACTS

Considering purchasing a new home? ... with a Federally Insured Purchase Reverse Mortgage, You can purchase real estate without a mortgage payment!

### Reverse Mortgage for Seniors

This is exciting news to Senior Americans who have wanted to downsize, upsize, and move closer to family and friends, move into senior communities for the activities or amenities they offer, or for those who find that their current home simply does not meet their needs any longer. Some seniors are almost in a position to buy another home, but it would take all their available savings and they do not want to use all their funds.

Reverse mortgages are not for everyone. But, as more and more Americans retire, they are likely to be more and more popular as a way for people to tap into their largest asset as they age. Until recently, reverse mortgages have been portrayed by the mainstream press as niche products that come with high fees and notable risks. But now, all that is changing.

The reverse mortgage loans were created over 25 years ago and have become an excellent tool to purchase the home they desire without qualification requirements and with no payment for life all without having to pay for the home in cash. It allows seniors to age in place and achieves retirement security.

The FHA federally insured reverse mortgage program, known as the Home Equity Conversion Mortgage (HECM) Program is a loan with legally binding financial agreement. It is administered by the Department of Housing and Urban Development (HUD). Private lenders issue HECM loans, which carry insurance from the Federal Housing Administration (FHA). HECM loans, even FHA-backed HECMs, are not an entitlement or a government benefit. You must pay attention to the terms and conditions of the HECM loan. A participating FHA lender is required to represent HECM loans properly in order to be an FHA lender in good standing.



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Throughout the 1990s, HECM loan volume remained well below 10,000 loans per year. In the early 2000s, volume picked up and accelerated strongly until annual HECM loan volume reached a record level of 114,639 loans in 2009. By then the housing market had collapsed, and home prices continued to fall. Loan volumes have declined sharply in recent years, with fiscal year (FY) 2016 HECM loan volume totaling approximately 49,000 loans, the lowest level since 2005. Much of the recent decline is the result of the financial assessment implemented in 2014 that is now required of potential borrowers. Since the program began in 1989, FHA has insured approximately one million HECM loans.

### Here are several facts why reverse mortgages are growing in popularity:

Savings are Low Most Americans have not saved anywhere close to the amount they will need in order to meet their retirement expenses including health care costs that may rise over time. And most workers haven't even tried to estimate their savings needs for retirement, reports the Employee Benefit Research Institute. Reverse mortgages will be one way for retirees to make up for lack of savings.

Home Equity is High Nationally, there were over 73 million owner-occupied housing units in the U.S. in 2015. Of these, around 46 million had home debt such as mortgages and equity loans, and nearly 27 million were owned free and clear. The Urban Institute calculates that there is about \$11 trillion in total net housing wealth across the country, and about \$7 trillion of that could be turned into cash through lending products. Age is big predictor of net housing wealth. The report found that those over 60 hold 52% of all home equity. Those under 50 hold only 23%. Meanwhile, owners under 40 owned 17% of all owner-occupied housing units but had only 6% of accessible housing wealth.

### Credit Score Can be an Indicator

Almost 45 percent of all folks who own free and clear have a credit score in the 800 to 900 range.



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### Suitability

The Consumer Financial Protection Bureau (CFPB) has the authority to develop suitability standards and regulations regarding lender responsibilities. Doing so would help ensure that borrowers take out the loans (or find other alternatives) that are best suited to their needs. Housing counselors are prohibited from recommending any loan or other course of action. Their role is to educate, answer questions, and verify that the borrower understands the basics of the loan. Lenders, on the other hand, are able to recommend reverse mortgage loan products without regard to the needs of the consumer.

### Reverse Mortgage Products are Getting Better

The Federal Housing Administration, which insures reverse mortgages through its Home Equity Conversion Mortgage program, has made substantial program changes over the last 18 months in an effort to shore up the program and make it safer for consumers.