

# The *New* Reverse Mortgage: A Smart Choice.

You've made a lot of smart decisions in your life—like investing in your home. So don't stop now. Find out how the New Reverse Mortgage can be the smart financial tool that lets you **take advantage of the existing equity in your home, and live the life you want.**

## What is a Reverse Mortgage?

Reverse mortgages were originally created in the 1980s to help Americans age 62 and older convert part of the equity in their home into money that could be used during retirement. Recent changes to the program have made it a more effective way for eligible homeowners to gain greater financial flexibility while maintaining ownership of their home.

You can choose to receive your reverse mortgage proceeds as a line of credit, lump sum payout, monthly payments, or a combination of these. Unlike a traditional mortgage or home equity loan or home equity line of credit, you are not required to make any monthly mortgage payments. You will still be responsible for property taxes, maintenance, and insurance. As long as you meet those responsibilities, the loan balance is not due until the last remaining homeowner no longer uses the home as their primary residence, or the home is sold.

## What's New?

You might be familiar with reverse mortgages. But recent changes and new program guidelines make the New Reverse Mortgage worth reconsidering as part of your comprehensive retirement plan.

**It's safer for you.** New loan limitations help preserve your home equity funds for a longer period of time. Plus, mandatory mortgage insurance provides additional protection.

**Rates and fees are lower than you might expect.**<sup>1</sup> With the low fee and interest rate options offered by many lenders, today's reverse mortgage may compare favorably with a traditional home equity line of credit or home equity loan alternative.<sup>2</sup>

**Financial advisors have discovered new ways of using a reverse mortgage line of credit.** With its growth feature and new options that reduce up-front costs, the line of credit option can be used in new ways as part of a long-term retirement funding strategy. It can help reduce portfolio spend-down risk, and help your savings last longer. It may provide more security and control than a traditional home equity line of credit.

(Continued on reverse)

<sup>1</sup>Rates and fees vary by lender.

<sup>2</sup> Source: [www.mybanktracker.com/heloc](http://www.mybanktracker.com/heloc)

# Retire With Confidence

## How Can I Use the Proceeds?

Today, more homeowners and financial planners are using reverse mortgages as a key part of their long-term retirement strategy. **Here are some smart ways to use the New Reverse Mortgage to help meet your retirement goals:**

- Pay off a traditional mortgage, to eliminate monthly mortgage payments<sup>3</sup>
- Make retirement savings last longer
- Preserve investment accounts during market downturns with a “standby” line of credit<sup>4</sup>
- Supplement income with monthly tenure payments
- Use a line of credit to build a safety net for emergencies, home repairs, and healthcare expenses
- Afford to retire earlier, or else wait until later to maximize lifetime Social Security benefits<sup>5</sup>
- Buy a home that better fits your needs<sup>6</sup>
- Support “aging in place” expenses, including caregiving and home modifications.

## How Do I Get More Information?

- Connect with a trusted reverse mortgage lender, share your concerns, and learn more about your options.
- To learn more, visit [www.NewReverseMortgage.org](http://www.NewReverseMortgage.org).

**NewReverseMortgage.org** is an educational portal produced by the National Reverse Mortgage Lenders Association (NRMLA) with the participation of NRMLA members to help keep consumers informed about the latest developments in reverse mortgage programs, including the Home Equity Conversion Mortgage (HECM) program. NRMLA is a membership organization that represents the reverse mortgage industry. The member companies participating in this effort are approved by the Department of Housing and Urban Development and have committed to NRMLA’s Code of Ethics and Professional Responsibility.

<sup>3</sup> A reverse mortgage is a home-secured debt that must be repaid at maturity.

<sup>4</sup> “Reverse Mortgages: What Advisors Should Know,” by Paul Norr, [www.bankinvestmentconsultant.com](http://www.bankinvestmentconsultant.com), April 21, 2014.

Research at Texas Tech University and elsewhere suggests that the current structure of reverse mortgages may help stabilize retirement income. One powerful application is using the reverse mortgage line of credit option as a Bear Market Standby Account.

Shaun Pfeiffer, Ph.D.; John Salter, Ph.D., CFP®, AIFA®; Harold Evensky, CFP®, AIF®, “Increasing the Sustainable Withdrawal Rate Using the Standby Reverse Mortgage,” *Journal of Financial Planning* 26 (12): 55–62.

<sup>5</sup> Source: [www.ssa.gov/retire2/delayret.htm](http://www.ssa.gov/retire2/delayret.htm)

<sup>6</sup> A significant down payment is required to purchase a home with a reverse mortgage.

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