

Children of Seniors

We know that you want to protect your loved ones, and that means making sure that no one takes advantage of them or their hard-earned assets. At The Reverse Mortgage Co., we, too, want to protect our clients. Here are a few things you should know about reverse mortgages.

- * Get peace of mind - Reverse mortgages are protected by the government, and there are a number of safeguards in place to shield seniors from predatory lending practices. More than 150,000 Americans have benefited from reverse mortgages. Your loved ones likely could benefit, as well.
- * Children/Caregiver involvement - Many seniors rely on the advice and counsel of children or caregivers for financial decisions. The Reverse Mortgage Co. strives to include them in the information sharing and application process whenever possible to ensure the right decisions are made.
- * Safeguards - The federal government has included several safeguards in the reverse mortgage program to protect senior consumers. Chief among them is the mandate that a third-party counseling session occur with an AARP or HUD approved counselor before an application can be processed. Another important protection is that an application must be taken in person to avoid phone or mail scams.
- * Tap into home equity - A reverse mortgage offers your parents or loved ones a way to tap built-up home equity without selling the home or making payments on a home equity loan. Instead, a reverse mortgage provides cash up front, with no payments due on the loan until the borrowers move out or pass away.
- * Keep the title - Reverse mortgages are insured and regulated by the Federal Housing Administration. Seniors who qualify for a reverse mortgage keep the title to their home. There is no risk of losing the home to the lender, and your parents or loved ones will never owe more than the home is worth. And seniors can still bequeath their homes to anyone they wish. Family members can sell the home to repay the reverse mortgage, take out a traditional mortgage or use other funds to pay off the reverse mortgage. Regardless, the title to the home is never in jeopardy.
- * Repay at anytime - Your parents or loved ones can repay a government insured reverse mortgage in part or in full at anytime without a prepayment penalty.
- * Remain in the community - With a reverse mortgage, your parents or loved ones don't have to move out of their beloved home because they can no longer afford the house payments. A reverse mortgage can be used to pay off the existing mortgage and still provide additional cash. This allows seniors to stay in their homes and in the communities to which they've become attached. It also

can provide a stream of income to help pay property taxes, which become increasingly burdensome as other expenses rise.

* Gain financial independence - Most seniors worked hard to purchase and maintain their homes. It can be frustrating to face the retirement years on a fixed income, and it can be embarrassing for parents to ask their children for assistance. With a reverse mortgage, your parents can take advantage of their home equity. They can receive funds in one lump sum or as a monthly payment. The money can be used in any way they wish. They can get relief from the worries of debt, or they can take their dream vacation. It's their money. And it's not due and payable until they move out of the home or pass away.

* Purchase a new home - In some cases, your parents or loved ones may want to move to a smaller home or simply relocate to be near you. Some reverse mortgages have a purchase option, which enables someone to purchase a new home and make no mortgage payments as long as they live in that home.

* Tax-free money - Because proceeds from a reverse mortgage are not considered income, typically they will not be subject to income taxes. Please consult a tax professional.

* Social Security, Medicare and Medicaid - Proceeds from reverse mortgages will not affect your parents' Social Security or Medicare benefits because those benefits are not based on the assets of the recipient. However, in the federal Supplemental Security Income program, beneficiaries must keep their liquid resources under certain limits. If you do not spend loan advances in the month received, then such funds are considered part of your liquid resources and may adversely affect your eligibility for SSI. Regulations vary for state-administered programs such as Medicaid, Aid for Dependent Children (AFDC), and food stamps. Therefore, we suggest that you consult a benefits specialist at your local area Agency on Aging or the local offices for these programs to determine how HECM payments may affect your particular situation.