

Is Today's Older Homeowner Sitting on a Gold Mine?

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Learning Objectives

1. Review changes to the HECM program over the past several years that have strengthened consumer protection.
2. Understand core foundation of reverse mortgages
3. Demonstrate impact of funds from home equity in improving outcomes for retirement planning and estate planning
4. Discover unconventional techniques for financing preferred care and appropriate housing
5. Learn how to “Right-size” a home without downsizing cash flow

Baby Boomer Housing Wealth is at Historic Levels

As of March 2024, U.S. homeowners
age 62+ have

\$14,000,000,000,000

in housing wealth¹



¹ Source: NRMLA/RiskSpan Reverse Mortgage Market Index . March 2024 <https://www.nrmlaonline.org/about/press-releases/senior-home-equity-hits-14-trillion-in-q2>

What is a HECM?

- **Home Equity Conversion Mortgage (HECM) is commonly known as a reverse mortgage**
 - Federal Housing Administration (FHA) insured loan which allows you to convert a portion of your home's equity into cash
 - The borrower remains on title of the property
 - Monthly mortgage payments are not required¹
- ¹As with any mortgage, you must meet your loan obligations, keeping current with property taxes, insurance, and maintenance.



The Rise of the Reverse Mortgage

- The vast majority of reverse mortgages are Home Equity Conversion Mortgages (HECM)¹
- President Reagan signed the HECM program into law in 1989
- The HECM program is federally-insured² by FHA
- Over 1.2 million Americans have used a HECM since the program's inception³
- Of the total 22,753 mortgage complaints the CFPB received in 2023, only 1.6% of them were reverse mortgage-related⁴

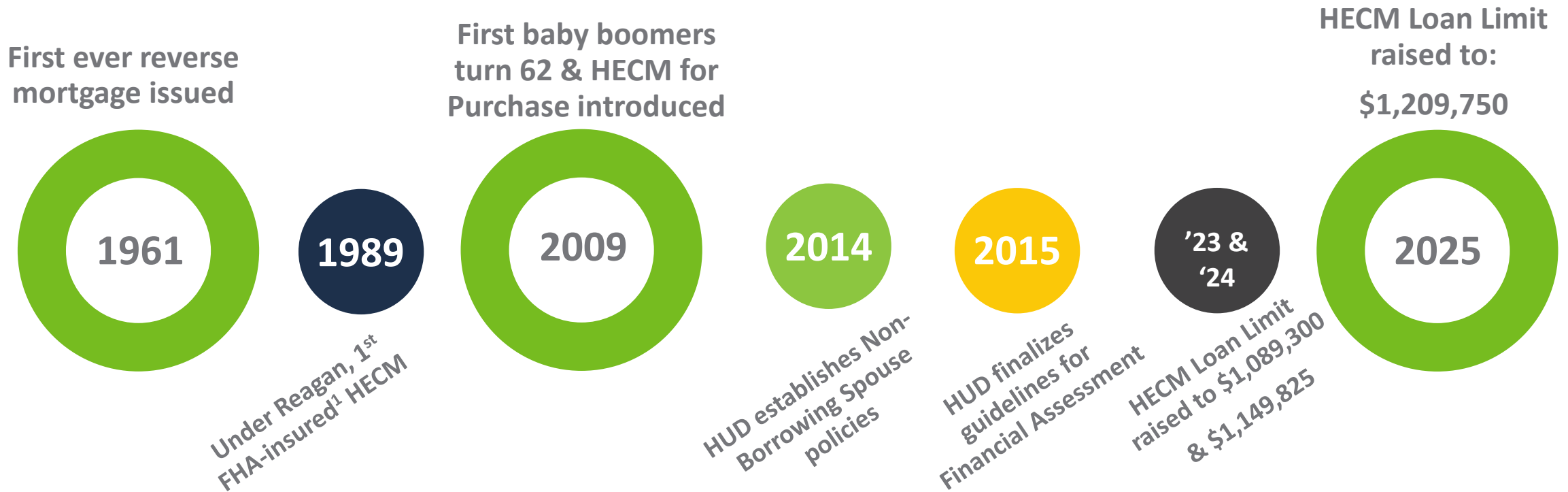
¹ Source: U.S. Government Accountability Office. <https://www.gao.gov/products/gao-19-702>

² **This material has not been reviewed, approved or issued by HUD, FHA or any government agency. The company is not affiliated with or acting on behalf of or at the direction of HU/FHA or any other government agency.**

³ Source: National Reverse Mortgage Lenders Association. <https://www.reversemortgage.org/borrowers-stories>

⁴ Source: Housingwire.com. "The reverse mortgage lenders with the most consumer complaints in 2023". January 2024. <https://www.housingwire.com/articles/the-reverse-mortgage-lenders-with-the-most-consumer-complaints-in-2023>

The Evolution of the Reverse Mortgage



Home Equity Conversion Mortgage (HECM) Basics

- ✓ Borrower must be **age 62+**
 - ✓ Non-Borrowing spouse must be at least 18
- ✓ The home must be the borrower's primary residence
- ✓ Available equity is typically **35-60%** based on age and interest rate
 - ✓ The higher the interest rate, the lower the percentage of the home's value can be accessed
- ✓ Lender makes **income tax-free payments** to homeowner
- ✓ FHA insured HECM is a **non-recourse** loan
 - ✓ No liability above home value

Flexible Funding Options¹ Available with a HECM



Lump sum



A combination of these –
chosen by borrower



Growing Line of Credit²



Fixed monthly advances

- ✓ Term (Fixed Period of Time)
- ✓ Tenure (Lifetime Payment)



Purchase a new home
(HECM for Purchase)

¹ Borrowers who elect a fixed rate loan will receive a single disbursement lump sum payment. Other payment options are available only for adjustable-rate mortgages.

² If part of the borrower's loan is held in a line of credit upon which they may draw, then the unused portion of the line of credit will grow in size each month. The growth rate is equal to the sum of the interest rate plus the annual mortgage insurance premium rate being charged on their loan.

The Three “Buckets” of Costs

- ✓ Lender credits may be available to reduce costs

FHA Mortgage Insurance Premium (MIP)

- ✓ Fully non-recourse to heirs and the estate / Credit Line Growth
- ✓ **Initial MIP** = 2% of the home value (up to the Max)
- ✓ **Annual** = 0.5% of the outstanding loan balance

Transaction Costs

- ✓ Closing Costs – appraisal, state fees, title insurance, etc.
- ✓ Counseling – varies by agency, but typically \$125

Origination Fee

- ✓ Lender’s origination fee – Set by FHA, based on home value
- ✓ Discounts and credits are often available

How much do we get?

Principal Limit Factor (PLF)

Age	5.000	5.125	5.250	5.375	5.500	5.625	5.750	5.875	6.000	6.125
60	0.388	0.381	0.374	0.367	0.360	0.354	0.347	0.341	0.335	0.329
61	0.395	0.388	0.381	0.374	0.367	0.361	0.354	0.348	0.342	0.336
62	0.410	0.403	0.396	0.389	0.382	0.376	0.370	0.363	0.357	0.351
63	0.416	0.409	0.403	0.396	0.389	0.383	0.376	0.370	0.364	0.358
64	0.423	0.416	0.410	0.403	0.396	0.390	0.384	0.377	0.371	0.365
65	0.430	0.423	0.417	0.410	0.403	0.397	0.391	0.384	0.378	0.372
66	0.438	0.431	0.424	0.417	0.411	0.405	0.398	0.392	0.386	0.380
67	0.445	0.438	0.432	0.425	0.419	0.412	0.406	0.400	0.394	0.388
68	0.453	0.446	0.439	0.433	0.426	0.420	0.414	0.408	0.402	0.396
69	0.461	0.454	0.447	0.441	0.434	0.428	0.422	0.416	0.410	0.404
70	0.465	0.458	0.452	0.445	0.439	0.433	0.427	0.420	0.415	0.409
71	0.465	0.458	0.452	0.445	0.439	0.433	0.427	0.421	0.415	0.409
72	0.467	0.460	0.454	0.447	0.441	0.435	0.428	0.422	0.416	0.411
73	0.475	0.469	0.462	0.456	0.449	0.443	0.437	0.431	0.425	0.419
74	0.483	0.477	0.470	0.464	0.458	0.451	0.445	0.439	0.434	0.428
75	0.492	0.486	0.479	0.473	0.467	0.461	0.455	0.449	0.443	0.438
76	0.498	0.492	0.486	0.479	0.473	0.467	0.461	0.455	0.450	0.444
77	0.508	0.502	0.495	0.489	0.483	0.477	0.471	0.466	0.460	0.454
78	0.518	0.512	0.506	0.500	0.494	0.488	0.482	0.476	0.471	0.465
79	0.523	0.517	0.511	0.505	0.499	0.494	0.488	0.482	0.477	0.471
80	0.534	0.528	0.522	0.516	0.510	0.505	0.499	0.493	0.488	0.482

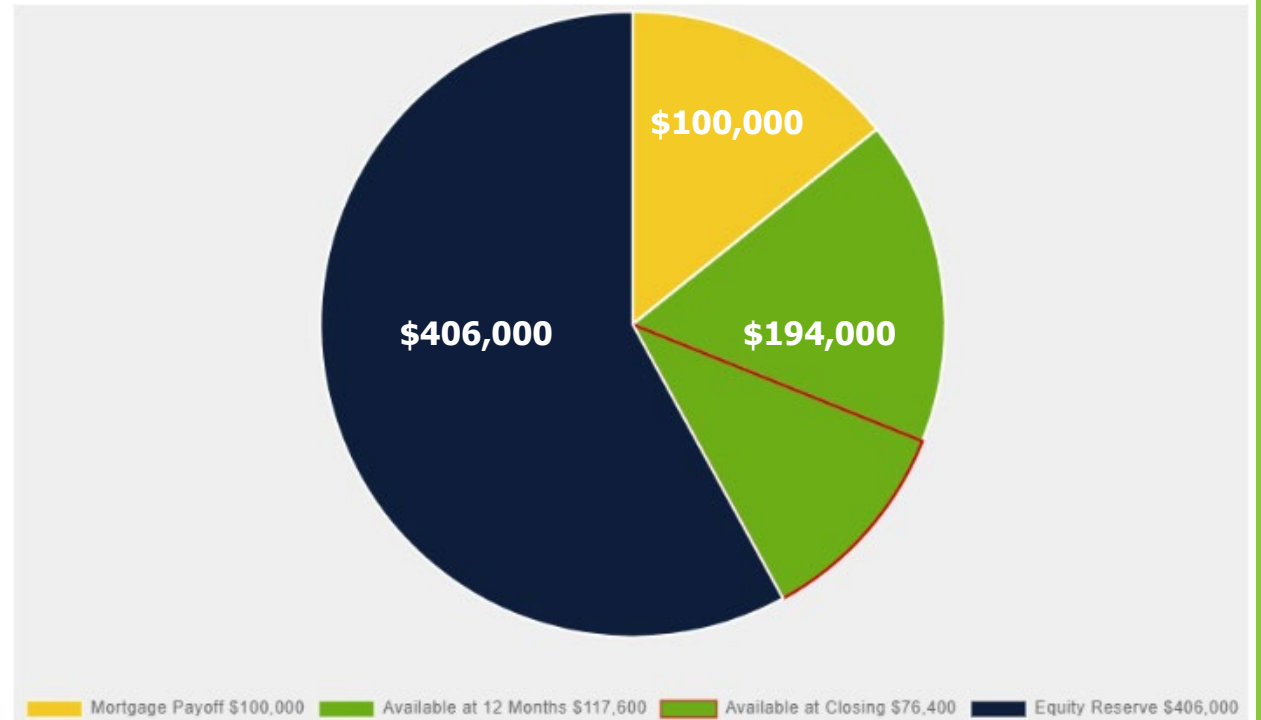
— How much do we get (Cont'd)

Principal Limit Factor (PLF) Table

Age	3.000	3.125	3.250	3.375	3.500	3.625	3.750	3.875	4.000	4.125	4.250	4.375	4.500	4.625	4.750	4.875	5.000	5.125	5.250	5.375	5.500	5.625	5.750	5.875	6.000
50	0.460	0.456	0.446	0.436	0.426	0.417	0.407	0.398	0.389	0.381	0.372	0.364	0.356	0.348	0.340	0.333	0.326	0.318	0.311	0.304	0.298	0.291	0.285	0.279	0.273
51	0.460	0.460	0.451	0.442	0.432	0.422	0.413	0.404	0.395	0.386	0.378	0.370	0.362	0.354	0.346	0.339	0.331	0.324	0.317	0.310	0.304	0.297	0.291	0.284	0.278
52	0.460	0.460	0.457	0.447	0.437	0.428	0.419	0.410	0.401	0.392	0.384	0.376	0.368	0.360	0.352	0.344	0.337	0.330	0.323	0.316	0.309	0.303	0.296	0.290	0.284
53	0.460	0.460	0.460	0.453	0.443	0.434	0.424	0.415	0.407	0.398	0.390	0.381	0.373	0.366	0.358	0.350	0.343	0.336	0.329	0.322	0.315	0.309	0.302	0.296	0.290
54	0.460	0.460	0.460	0.458	0.449	0.439	0.430	0.421	0.413	0.404	0.396	0.387	0.379	0.372	0.364	0.357	0.349	0.342	0.335	0.328	0.321	0.315	0.308	0.302	0.296
55	0.484	0.484	0.474	0.464	0.455	0.445	0.436	0.427	0.419	0.410	0.402	0.394	0.386	0.378	0.370	0.363	0.355	0.348	0.341	0.334	0.328	0.321	0.315	0.308	0.302
56	0.489	0.489	0.480	0.470	0.460	0.451	0.442	0.433	0.425	0.416	0.408	0.400	0.392	0.384	0.376	0.369	0.362	0.354	0.347	0.341	0.334	0.327	0.321	0.315	0.308
57	0.495	0.495	0.485	0.476	0.466	0.457	0.448	0.439	0.431	0.422	0.414	0.406	0.398	0.390	0.383	0.375	0.368	0.361	0.354	0.347	0.340	0.334	0.327	0.321	0.315
58	0.500	0.500	0.491	0.482	0.472	0.463	0.454	0.446	0.437	0.429	0.420	0.412	0.405	0.397	0.389	0.382	0.375	0.367	0.360	0.354	0.347	0.340	0.334	0.328	0.321
59	0.506	0.506	0.497	0.488	0.479	0.470	0.461	0.452	0.443	0.435	0.427	0.419	0.411	0.403	0.396	0.388	0.381	0.374	0.367	0.360	0.354	0.347	0.341	0.334	0.328
60	0.511	0.511	0.503	0.494	0.485	0.476	0.467	0.458	0.450	0.442	0.433	0.425	0.418	0.410	0.403	0.395	0.388	0.381	0.374	0.367	0.360	0.354	0.347	0.341	0.335
61	0.517	0.517	0.509	0.500	0.491	0.482	0.473	0.465	0.456	0.448	0.440	0.432	0.424	0.417	0.409	0.402	0.395	0.388	0.381	0.374	0.367	0.361	0.354	0.348	0.342
62	0.524	0.524	0.522	0.513	0.504	0.496	0.487	0.479	0.470	0.462	0.454	0.447	0.439	0.431	0.424	0.417	0.410	0.403	0.396	0.389	0.382	0.376	0.370	0.363	0.357
63	0.530	0.530	0.528	0.519	0.511	0.502	0.493	0.485	0.477	0.469	0.461	0.453	0.446	0.438	0.431	0.423	0.416	0.409	0.403	0.396	0.389	0.383	0.376	0.370	0.364
64	0.536	0.536	0.534	0.526	0.517	0.508	0.500	0.492	0.483	0.475	0.468	0.460	0.452	0.445	0.438	0.430	0.423	0.416	0.410	0.403	0.396	0.390	0.384	0.377	0.371
65	0.542	0.542	0.540	0.532	0.523	0.515	0.506	0.498	0.490	0.482	0.474	0.467	0.459	0.452	0.444	0.437	0.430	0.423	0.417	0.410	0.403	0.397	0.391	0.384	0.378
66	0.549	0.549	0.547	0.538	0.529	0.521	0.513	0.505	0.497	0.489	0.481	0.474	0.466	0.459	0.452	0.445	0.438	0.431	0.424	0.417	0.411	0.405	0.398	0.392	0.386
67	0.556	0.556	0.553	0.545	0.536	0.528	0.520	0.512	0.504	0.496	0.488	0.481	0.473	0.466	0.459	0.452	0.445	0.438	0.432	0.425	0.419	0.412	0.406	0.400	0.394
68	0.562	0.562	0.560	0.551	0.543	0.535	0.527	0.519	0.511	0.503	0.496	0.488	0.481	0.474	0.467	0.460	0.453	0.446	0.439	0.433	0.426	0.420	0.414	0.408	0.402
69	0.569	0.569	0.566	0.558	0.550	0.542	0.534	0.526	0.518	0.510	0.503	0.496	0.488	0.481	0.474	0.467	0.461	0.454	0.447	0.441	0.434	0.428	0.422	0.416	0.410
70	0.576	0.576	0.570	0.562	0.554	0.546	0.538	0.530	0.522	0.515	0.507	0.500	0.493	0.486	0.479	0.472	0.465	0.458	0.452	0.445	0.439	0.433	0.427	0.420	0.415
71	0.583	0.578	0.570	0.562	0.554	0.546	0.538	0.530	0.522	0.515	0.507	0.500	0.493	0.486	0.479	0.472	0.465	0.458	0.452	0.445	0.439	0.433	0.427	0.421	0.415
72	0.588	0.580	0.572	0.563	0.555	0.547	0.539	0.531	0.524	0.516	0.509	0.502	0.494	0.487	0.480	0.474	0.467	0.460	0.454	0.447	0.441	0.435	0.428	0.422	0.416
73	0.595	0.587	0.579	0.570	0.562	0.555	0.547	0.539	0.532	0.524	0.517	0.510	0.503	0.494	0.489	0.482	0.475	0.469	0.462	0.456	0.449	0.443	0.437	0.431	0.425
74	0.602	0.593	0.585	0.577	0.569	0.561	0.554	0.546	0.539	0.531	0.524	0.517	0.510	0.503	0.496	0.490	0.483	0.477	0.470	0.464	0.458	0.451	0.445	0.439	0.434
75	0.609	0.601	0.593	0.585	0.577	0.569	0.562	0.555	0.547	0.540	0.533	0.526	0.519	0.512	0.505	0.499	0.492	0.486	0.479	0.473	0.467	0.461	0.455	0.449	0.443

How much do we get?

- ✓ Age: 70
- ✓ Home Value: \$700,000
- ✓ Expected Interest Rate: 5.875%
- ✓ Principal Limit Factor (PLF): 42%
- ✓ Principal Limit: \$294,000
- ✓ Mortgage Payoff: \$100,000
- ✓ Available Principal Limit: \$194,000
- ✓ Equity Reserve* : \$406,000



*Interest will accrue on the outstanding loan amount and be added to the loan balance. Remaining equity displayed is an estimate at the commencement of the loan. Remaining equity is not guaranteed as the loan balance grows.

Projected Credit Line Growth

Projected Credit Line Growth



- Projected credit line would grow to \$514,718 by age 85
- Funds could be drawn down for home care or any other purpose
- No additional income taxes on HECM funds used
- No disruption to portfolio performance or lifestyle

*Estimated based on current and forward interest rates and margin from current HECM pricing. Please obtain a quote for more exact numbers and details.

Longbridge Platinum Highlights

- Loan amounts up to \$4 million in available cash and wide range of eligible homes¹
- Available to homeowners as young as age 55 in select states²
- No mortgage insurance premium = potentially lower up-front costs
- No mandatory repayment obligation
- Non-recourse protection
- Expanded eligibility for condos
- Streamlined approval process



¹The state of MA has a maximum loan amount/lending limit of \$2,000,000.

²Available to borrowers as young as 55 in select states only. Higher minimum age requirements may apply.

Longbridge Platinum Reverse Mortgage ("Platinum") is Longbridge Financial LLC's proprietary loan program and is not affiliated with the Home Equity Conversion Mortgage (HECM) loan program, which is insured by FHA. Platinum is available to qualified borrowers who also may be eligible for FHA's HECM program or are seeking loan proceeds that are higher than FHA's HECM program limit. Platinum currently is available only for eligible properties in select states. Please contact a loan originator to see if it is currently available in your state.

Funding the Rising Costs of Aging Safely in Place



Health Care May Be the Biggest Financial Burden Facing Retirees Today

Those closest to retirement today should expect a minimum of \$30,000 to \$40,000 in health care costs during retirement, even with Medicare.

When you add long-term care costs, the amount they need suddenly balloons to over \$300,000.

- Executive Director, Center for Retirement Initiatives at Georgetown University, November 2022

88% of U.S. seniors say it's important to remain in their homes as they age¹

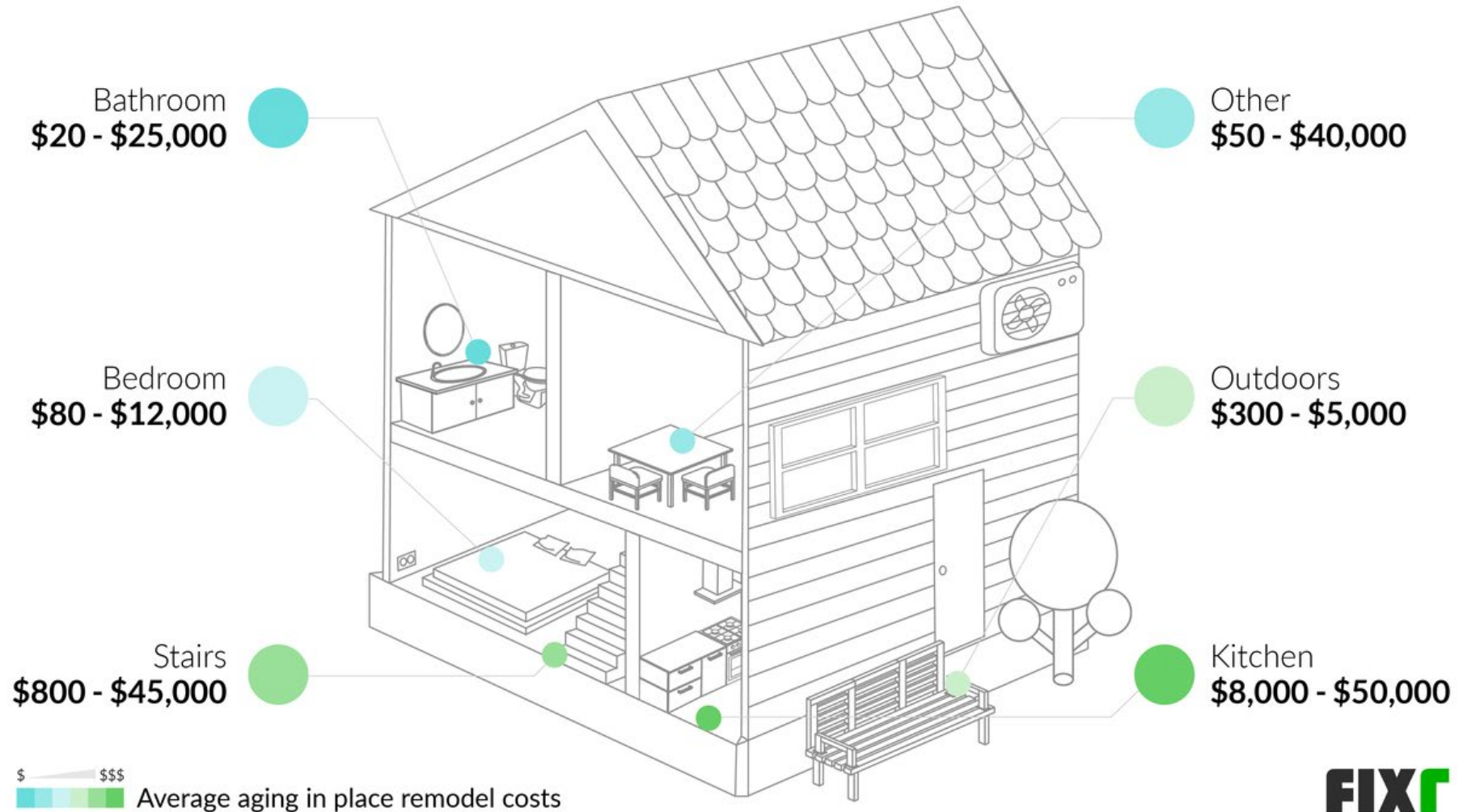
¹ Source: Robinson-Lane S, Singer D, Kirch M, Solway E, Smith E, Kullgren J, Malani P. Older Adults' Preparedness to Age in Place. University of Michigan National Poll on Healthy Aging. April 2022. Source: Axios.com. "Baby boomers face a unique caregiving crisis." November 2022. [axios.com/2022/11/19/baby-boomers-elder-care](https://www.axios.com/2022/11/19/baby-boomers-elder-care)

Average In-Home Care Costs¹

- In 2024, the average cost of 40 hours a week of *in-home non-medical care and assistance* in the U.S. is **\$5,417/month**
- 24/7 in-home non-medical care averages **\$20,455/month**
- In 2024, the average cost of 40 hours a week of *in-home health care with a certified aide/nurse* in the U.S. is **\$5,625 per month**
- 24/7 in-home health care averages **\$21,240/month**
- Alternatively, residential skilled nursing care in a facility costs a national average of **\$8,641/month** for a shared room and **\$9,872/month** for a private room

¹ Source: What Is Home Care and How Much Does it Cost? (payingforseniorcare.com)

Average Aging in Place Remodeling Costs



Source: Fixr.com. "How much does it cost a remodel to adapt a home for aging in place?" August 2022. [fixr.com/costs/aging-in-place-remodeling](https://www.fixr.com/costs/aging-in-place-remodeling)

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Funding Longevity with a HECM Line of Credit

- Meet the Davis Family
 - The Davis couple, both age 68, have a \$575,000 home with no mortgage. They have a pension and \$500,000 in portfolio assets.
 - **How can a reverse mortgage help the Davis's better achieve their retirement goals?**

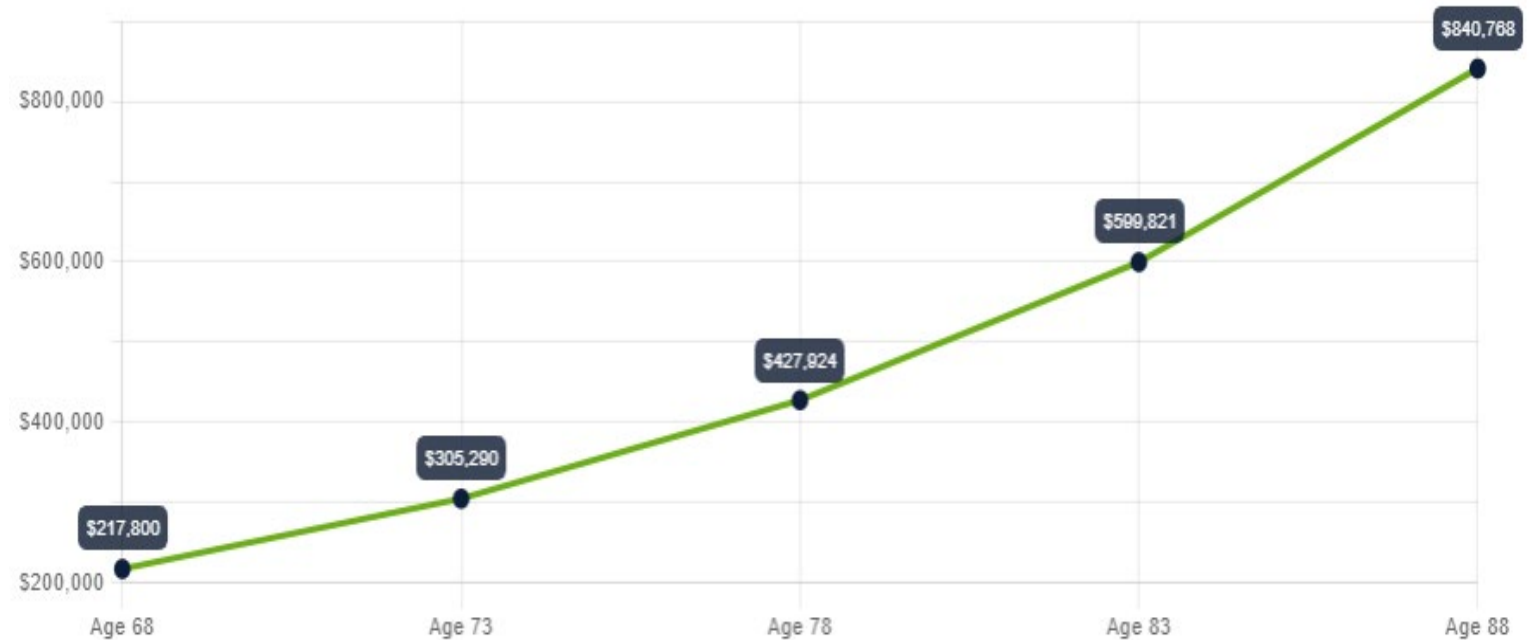


Funding Longevity with a HECM Line of Credit

Solution: Establish a HECM Credit Line

- By age 88, projected credit line would grow to **\$840,768**
- Funds could be drawn for in-home care, Social Security, bridge, or any other purpose
- No additional income taxes on HECM funds used

Projected Credit Line Growth



Information shown for illustrative purposes only. Assumptions are: (1) 68-year-old borrower; (2) Washington home valued at \$550,000; (3) LOC will grow at 2.00% above the HECM CMT MCap5 Adjustable-Rate Mortgage (ARM), which uses the 1-year CMT plus a margin of 2.0%. Initial APR is 7.26% which can change annually. 2% annual interest cap, and 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 12.26% (4) the rate remains at 7.26%; (5) no draws by borrower. Interest rates and funds available may change daily without notice.

Eliminating a Mortgage Payment for an easier Path to Retirement.



Eliminating Mortgage Payments for an Easier Path to Retirement

- Meet Henry

- Henry is 62 years old, single, and has a \$650,000 home with \$175,000 remaining on his mortgage. He is still working full-time.
- With a current rate at 3.75%, he will be making mortgage payments of \$1,850 per month for close to 10 years, well into his intended retirement.

- **The Challenge**

- Henry plans to retire at 67 but is concerned about making his monthly mortgage payment from retirement income.
- He has saved but would also like to have more liquid funds available for contingencies.
- **He would like to find a way to make retirement work without having to extend his planned retirement date.**



The Solution

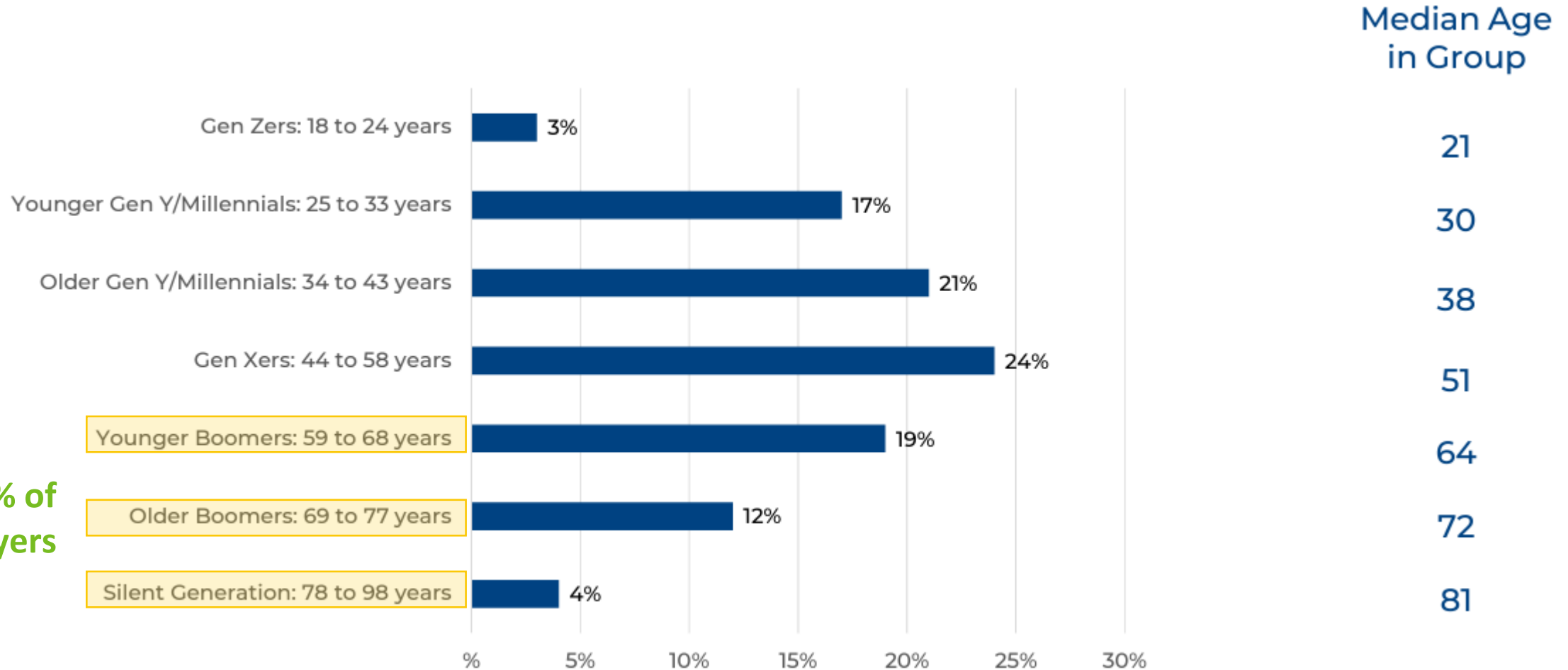
- **Eliminate monthly mortgage payments** by replacing Henry's traditional mortgage with a payment-optional HECM¹
- **Shift \$1,850/month (\$22,200/year) toward savings**, increasing his deductible 401(k) contribution and maximizing income deferral/matching funds
- After paying off the mortgage, **Henry has \$45,500 available credit line from his HECM**
- **Henry can potentially save approximately \$222,000 in mortgage payments** over the 10 years remaining on his mortgage, that can be used for other retirement goals.

Rightsizing a Home Without Downsizing Cash Flow



Are You Prepared to Help 55+ Clients Rightsize?

35% of Buyers



Buyer Affordability Impacts Your Older Clients' Options

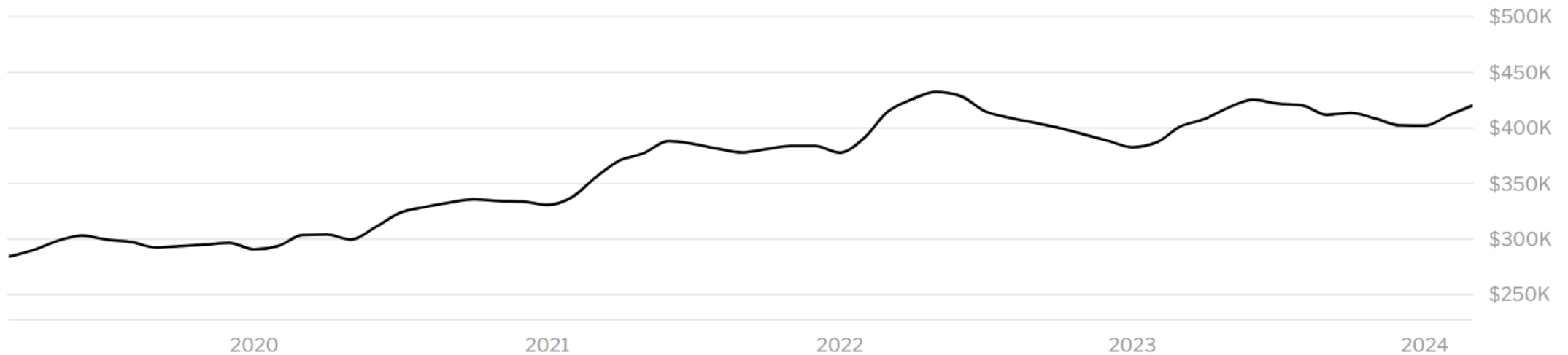
Median Sale Price

\$420,357

+4.8% year-over-year

All Home Types ▾

1 year 3 years 5 years



Based on Redfin calculations of home data from MLS and/or public records.

Source: Redfin.com. April 24, 2024. [redfin.com/us-housing-market](https://www.redfin.com/us-housing-market)

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How Will Your Older Clients Buy Their Next Home?

All Cash	Traditional Mortgage	Reverse Mortgage for Purchase
Client owns the home free and clear	Option to make a minimum down payment and limit up-front investment	Flexible payment feature: Monthly principal and interest payments are optional ¹
	Builds equity as client pays down the loan	Can give client the ability to buy a more expensive home by increasing their buying power
		Allows client to keep more savings and assets intact and can increase monthly cashflow

¹Borrower must keep up to date with real estate taxes, homeowners insurance, and property maintenance

Buying a Home with a HECM to Improve Retirement Liquidity

- Meet the Wilson Family
 - Mr. & Mrs. Wilson, age 65 and 67, plan to purchase a new home closer to family with cash to avoid a mortgage payment
- **The Challenge**
 - The couple plans to sell their current home, clearing \$500,000 and buy a new home with a total cost of \$500,000
 - However, they also want to improve their retirement liquidity – **is there a better option?**



Buying a Home with a HECM to Improve Retirement Liquidity

Traditional Purchase	
Proceeds from current home	\$500,000
Purchase price: New Home	\$500,000
Cash paid by homeowner	\$500,000
Monthly mortgage payment	\$0
Client's remaining proceeds from old home sale	\$0

HECM for Purchase (H4P)	
Proceeds from current home	\$500,000
Purchase price-new home	\$500,000
• Closing Costs	~\$15,000
Reverse mortgage pays	\$195,500
Cash paid by homeowner	\$319,500
Monthly mortgage payment	\$0
Client's remaining proceeds from old home sale	\$180,500

Your Clients Can Be Confident with Longbridge

- Longbridge is committed to providing the highest level of customer service – we maintain an **A+ rating with the Better Business Bureau** and an average customer satisfaction rating of **4.7 out of 5 stars** from Trustpilot®
- We offer **competitive pricing** in addition to low rates and other special programs for those who qualify
- Reverse mortgages are all that we do – our knowledgeable staff has years of experience and are true **professionals in the industry**
- Unlike most lenders, we are a **full loan servicer** – we stay committed to each client through underwriting, closing, and servicing of their loan



How We Help

- ✓ One-on-one attention with a designated Account Executive
- ✓ Complimentary in-depth quotes
- ✓ Special pricing for advisors
- ✓ Educational resources on all things reverse
- ✓ Online tools to run scenarios – 24/7/365



Jerry Auippa

Senior Account Executive
NMLS #1215606

Call: 346.517.0928

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