

## New Legislation Has Positive Impact on Reverse Mortgages

On July 30, 2008, the President and Congress signed into law the Housing and Economic Recovery Act of 2008. This law made a number of changes to the Housing and Mortgage industry. One item that was rarely discussed is the impact that H.R. 3221 has on Reverse Mortgages. This very important legislation has been in the works for almost two years now. This is positive for the industry and most importantly to homeowners considering a Reverse Mortgage.

Reverse Mortgages have come a long way since 1961 when Nelson Haynes, of Deering Savings & Loan, extended the first Reverse Mortgage to Nellie Young, the widow of his high school football coach. It was an act of kindness that today continues to offer a helping hand to seniors in need.

Over the years, Reverse Mortgages continue to improve with stricter regulations, oversight by the Department of Housing and Urban Development and the mandatory third party counseling to ensure that all borrowers understand the product before the loan process starts. These and other improvements are helping families to recognize that a Reverse Mortgage is a legitimate retirement tool. The reality is that our home represents the largest asset for most people. Given the tremendous wealth tied up in real estate and the continual rise in cost of living, a home must be considered as a tool to supplement retirement income.

We expect the changes for points one and two to be effective sometime between November 2008 and January 2009. The three key changes include:

- 1) **Reduction in loan costs** - Loan origination fees will be capped at \$6,000, compared to \$7,255 or higher today. Fees will be calculated at 2% of the first \$200,000 of home value and then 1% of the value over \$200,000. It is recognized that loan fees are a deterrent for Reverse Mortgage candidates and that these changes will help to alleviate this obstacle. Often overestimated in the cost structure of these loans is the cost of comparable options to improve your cash flow. Selling your home and downsizing may be a good option, but consider that real estate fees, closing costs, and moving expenses can cost you up to 8% of your home's value.
- 2) **Increase in cash available** – The amount of money you receive is mostly based on age, interest rates, and home value. Whether your home is worth \$370,000 or \$600,000, current limits allow you to borrow only a percentage of \$362,790. The new law will increase the lending limit to \$417,000 nationwide – and up to \$625,500 in areas that the FHA will define as “high cost”. The estimated impact will increase the dollars available to Reverse Mortgage borrowers between 15% and 70% depending on your home value and how the limits are implemented.
- 3) **Purchase a home with Reverse Mortgage** - For seniors looking to relocate or downsize, this feature will allow you to purchase a house without taking on a mortgage payment and without having to sink all of your cash into the house. The idea of spending the rest of your retirement years making mortgage payments can be quite daunting. Many times that cash can be used to help better afford cost of living increases, maintaining the house, and enjoying retirement in a way you had envisioned.

**If you have ever been turned down for a Reverse Mortgage, for any reason, please contact one of our Senior Home Advisors at 1-800-963-8011.**

These changes represent the continuing road to making Reverse Mortgages as mainstream as your 401k. As with any program, this does not work for everyone, but most people should at least understand the facts on how this program works. Our lives can change quickly and being prepared is the key.