



**PENNY LANE**  
REVERSE

# THE REVERSE MORTGAGE GUIDE

DISCOVER THE BENEFITS,  
ELIGIBILITY, AND EXPERT  
ADVICE TO MAKE AN  
INFORMED DECISION WITH  
THIS COMPREHENSIVE  
RESOURCE.

TRANSFORMING EQUITY INTO  
RETIREMENT FREEDOM



## PENNY LANE REVERSE

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#### FAMILY AND LOVED ONES

Ensure Financial Stability, Support Loved Ones, and Create Lasting Memories.



#### 3 REASONS TO GET REVERSE MORTGAGE

Unlocking Financial Freedom: Discover the Power of Reverse Mortgages - Gain Stability, Flexibility, and Peace of Mind.



To return to this page from anywhere in the guide, click on the house icon



# ABOUT THIS GUIDE

This guide provides general education on reverse mortgages, as well as information about FHA-insured reverse mortgages. It is not intended to replace the education a licensed Mortgage Loan Officer can provide.

## WHY REVERSE WHY NOW ?

“The main reason homeowners choose a reverse mortgage is to pay off other debt. Its well-known American retirees have limited sources of income. Uncertain Social Security payments combined with depleting pension or 401k plans makes retirement a long-term financial challenge.”

WALL STREET JOURNAL, OCTOBER 2021

## TRUE OR FALSE

## TEST YOUR KNOWLEDGE

See next page for the answer

A reverse mortgage requires monthly mortgage payments to the lender, just like traditional mortgages

# WHAT IS A REVERSE MORTGAGE

**Simply put, a reverse mortgage loan gives older American homeowners a way to turn their home's equity into tax-free cash.**

The funds you receive can be used for almost anything, including paying off your existing mortgage (required as part of the loan), eliminating credit card debt, paying medical and other bills, or simply improving your retirement lifestyle.

**The most common type of reverse mortgage is a Home Equity Conversion Mortgage, or HECM, and is insured and regulated by the Federal Housing Administration (FHA). The FHA provides certain protections to the borrower, such as counseling and the comfort in knowing that when the loan comes due and payable, you'll never owe more than the value of the home.**

Unlike a traditional mortgage and home equity line of credit, **a reverse mortgage provides payment optionality** - meaning the borrower can choose to make mortgage payments throughout the life of the loan, or not. Of course, the borrower still must pay property taxes, insurance, HOA fees and costs to maintain the property.

## TEST YOUR KNOWLEDGE ANSWER

 **FALSE**

A reverse mortgage does not require monthly mortgage payment, instead it pays you! The borrower is still responsible for paying taxes, insurance and any other HOA fees.

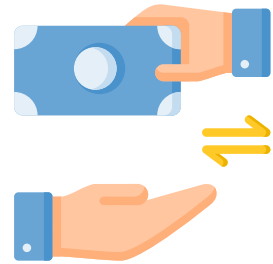


# CHOOSE YOUR WAY OF PAYING

## Option 1:

Repay the loan balance in one lump sum by selling the home or refinancing the balance after the last borrower leaves the home. This is a requirement of the loan terms.

After repayment, any remaining equity is yours or the heirs to keep. Anything owed above the home's future market value, will be covered by the non-recourse clause.



## Option 2:

Borrowers may also elect to make a monthly, quarterly or annual repayment throughout the life of the loan, to preserve the home's equity or increase a line of credit, if they have one. You may adjust, stop, or start payments at any time to pay whatever fits in your financial picture.



## DID YOU KNOW?

Reverse mortgage payments are tax-free, meaning you can enjoy the benefits of extra income without worrying about increasing your tax liability.



**CONTINUE  
TO OWN IT**



# **YOUR** home **IS YOURS**

You may have heard that getting a reverse mortgage means the lender owns your home. Fortunately, that's just a common misconception. In reality, when you obtain a reverse mortgage, the title to the home remains in your name and possession. In the rare case that a borrower leaves their home permanently and does not repay the loan, the home is put into a Real Estate Owned (REO), which prepares the home for sale on behalf of the borrower, so that the loan can be repaid.



Click Here



Visit our website for  
more information



# PENNY LANE

REVERSE

**Our goal is the same as yours- for  
you to stay in the home you love  
for as long as you wish.**





# REASONS TO GET A REVERSE MORTGAGE



## ELIMINATE MONTHLY MORTGAGE PAYMENTS (1)

A reverse mortgage does not require regular payments and if you have an existing mortgage, a reverse can pay it off. That means hundreds or thousands of freed up cash each month!

## STAY IN YOUR HOME

Your home stays in your possession and as long as you maintain the loan requirements, such as paying property taxes and insurance, HOA fees, maintaining the property, and living in the home as your primary residence, you have the safety to stay in your home.



## TAX

0%

## ACCESS EXTRA CASH

The extra cash you receive is tax-free (2). Your money can be used at your discretion, but are commonly used for paying off debt, making home repairs or upgrades, or supplementing monthly income.

**(1)BORROWER MUST PAY PROPERTY TAXES, INSURANCE, HOA FEES AND MAINTAIN THE PROPERTY.  
(2)CONSULT A TAX ADVISOR AND APPROPRIATE GOVERNMENT AGENCY FOR ANY AFFECT ON TAXES OR GOVERNMENT BENEFITS.**



# HOW MUCH money CAN I GET



Great question! The amount you can receive depends upon a few things:

## **The age of the youngest borrower or non-borrowing spouse**

The older the borrower, the more money you can receive

## **Appraised home value**

The higher the appraisal, the more funds you can access

## **Current interest rate**

The lower the interest rate, the more equity you can cash in on



## **TEST YOUR KNOWLEDGE**

**CHOOSE THE FALSE STATEMENT**



1

A reverse mortgage turns equity into cash.

2

The unused portion of the HECM line of credit continues to grow.

3

The lender owns my home when I have a reverse mortgage

**ANSWERS IN PAGE 11**

# WHICH REVERSE MORTGAGE IS RIGHT FOR ME



## HECM REVERSE MORTGAGE

A Home Equity Conversion Mortgage (HECM) is the most common reverse mortgage and is insured by the FHA, making it subject to certain limitations. It requires borrower counseling and mortgage insurance and currently has a lending limit of up to \$1,089,300.2 With a HECM, borrowers can choose to withdraw their funds through a fixed monthly disbursement, a line of credit, a lump sum, or a combination.

## REVERSE FOR PURCHASE

With a Reverse Mortgage for Purchase, you can buy a home using the proceeds from the sale of your current residence, and the equity in the house you are purchasing, to buy your new home. By doing so, you'll have no monthly mortgage payment and can enjoy retirement in the home of your dreams.

## WHO MAY FIT HECM?

- Borrower whose home value is within the \$1,089,300 lending limit
- Borrower who wants to have a line of credit or schedule payouts
  - Borrower who wants payment optionality

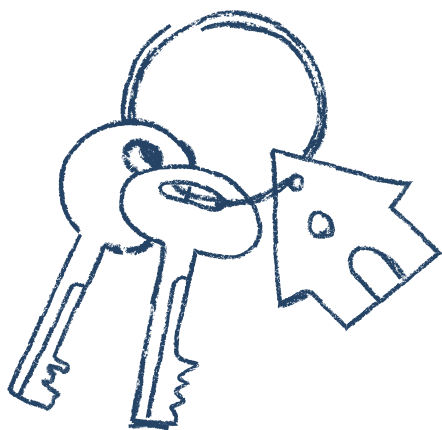


Jumbo reverse mortgages  
are available

These can be a great option for borrowers who want to purchase or refinance, and whose needs or qualifications, don't quite fit the HECM design. With a Jumbo reverse mortgage, borrowers can be **lent up to \$4,000,000, have no upfront mortgage insurance premium, receive all loan proceeds at close**, and can qualify for the reverse mortgage **at age 60**.

## WHO MAY FIT THIS OPTION?


- Borrower whose home value is above HECM's \$1,089,300 lending limit
- Borrower who wants to receive all funds at close
  - Borrower who has a non-FHA approved condo
- Borrower who is not yet 62 years old




## TEST YOUR KNOWLEDGE ANSWERS




**A reverse mortgage turns equity into cash.**

 **TRUE:** Your equity is made accessible as a line of credit, lump sum or monthly payment

**The unused portion of the HECM line of credit continues to grow.**

 **TRUE:** Leaving some of your credit unused or paying down the loan balance, allows the unused credit to grow.

**The lender owns my home when I have a reverse mortgage**

 **FALSE:** The title remains in your name and possession.

\*Borrower must pay property taxes, insurance, HOA fees and maintain the property.

\*Age requirements differ by product and state

\*Lending limit effective 01/01/2023



# REVERSE

## IN REAL LIFE

### FHA HOME EQUITY CONVERSION MORTGAGE

#### **The Borrower:**

Age 79  
Home Value  
\$300,000  
Remaining  
mortgage:  
None

#### **Practicality and Stability**

John lives on social security payments but wanted to boost his monthly income and increase his quality of life for retirement. His home is paid off and he was ready to utilize his equity to meet his need.

**John chose a  
HECM to receive  
monthly payments  
from his line  
of credit**



# REVERSE

## IN REAL LIFE



## FHA HOME EQUITY CONVERSION MORTGAGE

### The Borrowers:

Ages 60 & 61  
Home Value  
\$2,300,000  
New mortgage  
balance  
\$900,000

### Living their dream

Susan and Mike enjoyed their spacious property but were ready to right-size and retire along the coast. They wanted to keep as much cash on hand as they could after purchasing their dream home so they could make home upgrades and be ready for any other expenses.

**Susan and Mike chose a Jumbo for Purchase to buy their dream retirement home and have no monthly mortgage payment\***

**\*Borrower must pay property taxes, insurance, HOA fees and maintain the property.**





# HOW DO I QUALIFY?

**TO QUALIFY FOR A REVERSE MORTGAGE,  
THE FOLLOWING MUST BE MET:**

- **All borrowers are at least age 60\***
- **The subject property is in the borrower's name and is their primary residence (living in it consecutively for six months and a day per year)**
- **There is sufficient equity in the home**
- **Borrower passes product specific residual income and credit requirements**
- **Borrower completes reverse mortgage counseling**

\*Age requirements differ by product and state

# WAYS TO USE A REVERSE MORTGAGE

## SAVE.SPEND.ENJOY

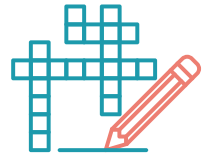
- Increase monthly cash flow
- Pay off an existing mortgage
- Eliminate credit card debt
- Pay down medical bills
- Fund home repairs and improvements
- Travel and vacation
- Pay property taxes and insurance
- Improve your lifestyle
- Invest and diversify your retirement portfolio
- Maintain a growing line of credit for future needs (1)

**“93% OF BORROWERS SAID THAT A REVERSE MORTGAGE HAD A POSITIVE EFFECT IN THEIR LIVES”**

2006 AARP NATIONAL SURVEY OF REVERSE MORTGAGE SHOPPERS SAMPLE

\*Borrower must pay property taxes, insurance, HOA fees and maintain the property.  
(1) Not available on all products

### REVERSE CROSSWORD



Find the 7 hidden words

H P B P E I W N F L F A F Q  
O M O T X V E Q U I T Y J R  
M O R T G A G E I Z A G H T  
E U R B Z V D G Q Y T O P L  
V P O Q A R T D H F J P I E  
A Y W P I B P O M L O A N N  
L U E B Z V D G Q Y T O P D  
U P R M B Z V X C T U E F E  
E M Z X T Y J U M B O O I R

1. MORTGAGE
2. EQUITY
3. BORROWER
4. LENDER
5. JUMBO
6. LOAN
7. HOME VALUE

answers on page 17

# WHAT IS THE LOAN PROCESS ?

## Step 1 - Make an initial application

Work with your mortgage broker to review your goals and make an initial application to determine what loan options are best for you.

## Step 2 - Attend reverse mortgage counseling

To ensure you have the knowledge and tools to make an informed decision, you will need to complete a HUD-approved counseling session, done over the phone.

## Step 3 - Submit your completed application

Once you have your counseling certification and required documentation together, you will submit everything to your mortgage broker.

## Step 4 - Appraisal and underwriting

An appraisal of your home will be completed (HECMs require it be done by an FHA-approved appraiser). The appraisal and all other documentation will then be sent to underwriting for approval.

## Step 5 - Closing and funding

Upon underwriting approval, your final loan documents will be delivered to you and a notary will assist in signing. Once your closing documents are signed (and, if applicable, your three-day rescission period is over), the funds will be released to you.

A rescission period is a time when you can cancel the loan with no penalty



# CONSUMER SAFEGUARDS



## COUNSELING

All HECM and Smartfi® Choice reverse mortgage applicants are required to undergo third-party counseling so that you understand all your options and can feel completely comfortable with the process.

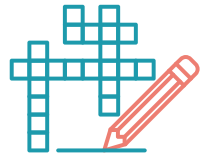
## NO-PREPAYMENT PENALTY

You can choose to repay the loan at any time, without incurring any additional costs.

## NON-RECOURSE LOAN

A non-recourse loan protects you from being held liable for the loan beyond the value of the home. Your financial obligation to the lender will not be more than the home's value when the reverse mortgage loan comes due. Both the FHA HECM loans have this great feature.

## REVERSE CROSSWORD ANSWERS



H	P	B	P	E	I	W	N	F	L	F	A	F	Q
O	M	O	T	X	V	E	Q	U	I	T	Y	J	R
M	O	R	T	G	A	G	E	I	Z	A	G	H	T
E	U	R	B	Z	V	D	G	Q	Y	T	O	P	L
V	P	O	Q	A	R	T	D	H	F	J	P	I	E
A	Y	W	P	I	B	P	O	M	L	O	A	N	N
L	U	E	B	Z	V	D	G	Q	Y	T	O	P	D
U	P	R	M	B	Z	V	X	C	T	U	E	F	E
E	M	Z	X	T	Y	J	U	M	B	O	O	I	R

## DID YOU KNOW...



Crosswords require you to think critically, recall information, and make connections between clues and solutions.

By engaging in this mental exercise regularly, you can enhance your cognitive abilities, including memory retention and recall.

# BORROWER RESPONSIBILITIES

## TAXES AND INSURANCE

You are required to remain current on your property taxes, home insurance, and if applicable, HOA fees.



## PROPERTY MAINTENANCE

You are responsible for completing mandatory repairs and basic home maintenance during the life of the loan.



## OCCUPANCY REQUIREMENTS

The home must be your principal residence, meaning you must live in it consecutively for six months and a day each year.



## REVERSE MORTGAGE BENEFITS

- **Eliminates** required monthly mortgage payments\*
- Allows you to **stay in your home** and in possession of your house
- Gives you access to **tax-free (1) cash**
- **Not owing more** than your home's value when the loan is due
- Is a **non-recourse loan**
- **Gives you freedom** to spend your cash as you choose
- **Gives your heirs the option** to purchase the home after you pass
- Only pay interest **on funds borrowed**
- **Unused line of credit grows** over time(3)
- Payments made throughout the life of the loan **increase equity and pay down the balance**



## WHAT IS A QUALIFYING EVENT?

**A qualifying event that causes the loan to become due is any of the following:**

- If the borrower fails to meet their obligations under the mortgage, such as paying property taxes and insurance and maintaining the property
- When the last surviving borrower or eligible non-borrowing spouse:
  - Passes away
  - Sells their home
  - No longer lives in the home as their primary residence

*Is either living in another residence for more than 6 consecutive months or in a healthcare facility for more than 12 consecutive months. Healthcare facilities include hospitals, rehabilitation centers, nursing homes, and assisted living facilities.*



"The smile they have on their faces, with the home improvements they are now able to pursue and the medical care they can afford, is just breathtaking"  
Daughter of Mary & Alvin

# FAMILY & loved ones

A reverse mortgage can **help care for your loved ones** by providing funds to cover the cost of modifying or upgrading their home, paying for in-home care, taking care of other health costs, providing additional income, or even funding the cost of checking off bucket list items.

## FAMILY RESPONSIBILITIES

The loan becomes due when a qualifying event occurs, typically when the last borrower leaves the home. If you're the heir to the home, **you have a right to sell the home and repay the loan, or to keep the home and use other assets, or refinance, to repay the existing loan.** After loan repayment (including interest and fees), any **leftover equity is yours** to keep. The lender will never obtain the title, as long as the existing loan is paid in full.



# COMMON QUESTIONS

## Does the bank own my home or I do?

You do! With a reverse mortgage, the title to the home remains with the borrower. The bank/lender never owns your home.



## How much can I borrow?

Loan proceeds are determined by the youngest borrower's or nonborrowing spouse's age, the product type and the corresponding interest rate. To estimate how much you are eligible for, get in touch with your mortgage professional!



## What if I have a mortgage?

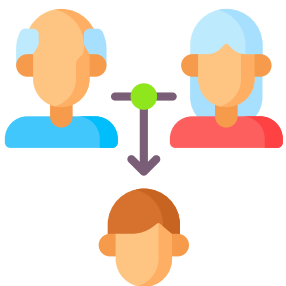
If you have a mortgage and qualify for a reverse mortgage, the reverse will pay off your existing mortgage and then give you the remaining proceeds. In fact, many borrowers use a reverse mortgage for that purpose - to eliminate required monthly mortgage payments.\*

\*Borrower must pay property taxes, insurance, HOA fees and maintain the property.



## Will my children lose their inheritance?

Your children have options when it comes to your home. Typically the loan is repaid through the sale of the home. Your heirs can choose to sell the home, pay the loan and receive any remaining equity; or, they can purchase/refinance the home, at less than market value, and pay back the loan with a traditional mortgage.

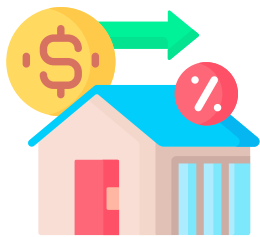
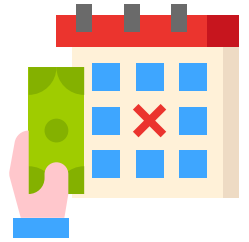




# COMMON QUESTIONS

## Does a reverse mortgage require monthly payments?

A reverse mortgage does not require monthly mortgage payments, but it does require you to pay taxes and insurance, any HOA fees, and pay for general upkeep to keep the home in good condition.



## What options do I have to access the equity in my home through a reverse mortgage?

You can access the equity in your home through a lump sum, monthly payments, a line of credit, or a combination of any of these.

## Do I stop receiving access to funds if I outlive the equity in my home?

No, if you outlive the equity in your home, you will continue to receive your scheduled disbursements.



## DID YOU KNOW...



Reverse mortgages are called "reverse" because they work in the opposite way of traditional mortgages. Instead of homeowners making monthly payments to a lender, a reverse mortgage allows homeowners to receive payments from the lender, essentially reversing the cash flow direction.



# Notes

HERE'S A PLACE TO TAKE  
SOME *notes* OR WRITE DOWN  
SOME *questions* YOU'D LIKE  
TO ASK.



A large light blue rounded rectangle containing 15 horizontal lines for writing. On the left side, there are 15 white circular punch holes, one next to each line.



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## REVERSE

### TRANSFORMING EQUITY INTO RETIREMENT FREEDOM

 1846 E. Innovation Park Dr.  
Oro Valley, AZ 85755



**Tina Steele**

 520-861-2821

NMLS #250989

NMLS #1905686 WA State  
NMLS #1034711 AZ State

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