SUN AMERICAN MORTGAGE COMPANY
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THE REVERSE MORTGAGE

Q & A

Q: What are the "HECM" and Mortgage programs?

A: These plans or programs are special types of mortgages that enable you, as an older homeowner, 62 years of age or older, to tap the equity you have in your home while giving you the maximum amount of flexibility to address your particular financial needs - - whether it is a lump sum payment to pay off existing debt, fix up your home or an unexpected hospital bill. You can also receive a stream of regular monthly payments to supplement your monthly income, a line of credit or any combination of cash, monthly income payments, or credit line that you prefer. We now can use the HECM for Purchase to help you purchase a new home.

Unlike traditional home equity loans, no repayment of the HECM, or HECM for Purchase is required until you no longer occupy the home as your principal residence.

With any of these reverse mortgage programs, you borrow against the value of your home, and receive loan proceeds according to the payment plan that you select. These plans are described on the following pages.

When you sell your home or vacate it for other reasons, the accrued interest plus what the lender has paid you or on your behalf through the years is due and payable, usually out of the proceeds from the sale of your home. Any proceeds in excess of the amount owed the lender belong to you or to your estate. <u>You always retain title and ownership of you home.</u>

Q: How do the HECM Programs differ from a home equity loan?

A: While all programs and home equity loans enable you to turn the equity in your home into spendable dollars, there are important differences between the two types of mortgages. With a home equity loan, you must make regular monthly payments to repay the loan. These payments begin as soon as the loan is originated. To qualify for such a loan, you must earn a monthly income great enough to make those payments. If you fail to make the monthly payments, the mortgage lender can foreclose on you, and you could be forced to sell your home. In addition, you may be required to requalify for a home equity loan each year. If you do not requalify, the lender may require you to pay the loan in full immediately.

With the HECM Programs, you are not required to repay the loan as long as the home remains your principal residence, your income is evaluated to verify you can make the required taxes and insurance payments, and there is no requirement that you requalify each year.

Q: Who is eligible for a HECM?

A: In most cases, you, and any co-borrowers, must be at least 62 years old, the house must be owner occupied and you must either own your home free and clear or owe no more against the home than could be repaid from the proceeds of the new reverse mortgage. You must also agree to accept mortgage counseling from a HUD-approved counseling agency. Family members may also attend these counseling sessions, if you desire.

Q. Must I pay off any loans or liens that are against the property?

A. All loans or liens must be paid off to get the HECM, but the liens can be paid off with proceeds from the reverse mortgage.

Q: What are the minimum and maximum amounts that I can borrow?

A: The maximum amount you can borrow from the HECM plan differs from person to person based on age. All mortgage plans factor in the age of the youngest borrower, the expected interest rate, and the "maximum claim amount". The maximum claim amount or the "adjusted property value" is the lesser of the appraised value of your house or the maximum loan amount for the one to four unit family residence as determined by FHA in your area. There is no minimum borrowing amount. There is no upward limit on the value of the property.

Q: What types of payment plans are available with the HECM Programs?

A: The HECM program provides five payment options:
Term, Tenure, Modified Term, Modified Tenure, a Line of Credit or all Cash.

Under the **term option**, you may receive equal monthly payments for a fixed period of time selected by you.

Under the **tenure option**, you may receive equal monthly payments for as long as you occupy the home as your principal residence.

Under the **line of credit option**, you may draw up to a maximum amount of cash at times and in amounts of you choosing, as long as you occupy the home as your principal residence.

The **modified term plan** allows you to set aside a portion of loan proceeds as a line of credit and receive the rest in the form of equal monthly payments for a fixed period.

Under the **modified tenure option**, you may set aside a portion of loan proceeds as a line of credit and receive the rest in the form of equal monthly payments as long as you occupy the home as your principal residence.

If you select either of the term plans, you can remain in your home after the end of the loan term without starting repayment. The same is true if you have withdrawn the maximum amount under a line of credit or modified tenure payment plan. Remember, repayment does not begin until you no longer occupy your home as your principal residence.

Q: How will the amount of the monthly payment be calculated?

A: Your payments depend on the age of the youngest borrower, the current interest rate, the maximum claim amount defined above, and the length of the time that you will be receiving payments - - for a fixed period or for as long as you live in the house. The older you are, the more money you can access with these programs.

Q: Will HECM payments affect my Social Security, Medicare Supplements, Security Income, or Medicaid benefits?

A: HECM payments do not affect your Social Security or Medicare benefits because those benefits are not based on assets of the recipient.

HECM advances may be added to your liquid assets under some programs if not spent in the month received, and may affect your eligibility for some programs. We suggest you consult the local offices for these programs or any other to determine how HECM payments may affect your particular situation.

Q: Will I have to pay fees to obtain the HECM Programs?

A: No. all closing costs and fees can be included in your loan balance so that you do not have to pay for them in cash. The loans have an origination fee, other normal loan closing costs, and a mortgage insurance premium paid to the Federal Government (FHA).

Q: Can I be forced to sell or vacate my home if the money I owe on the loan exceeds the value of my home?

A: Absolutely not, as long as you continue to occupy the property as your principal residence. You cannot be forced to sell or vacate the property, even if the total of the mortgage payments to you plus interest and mortgage insurance premiums exceed the value of the property or if the fixed term over which you received your payments has expired. No deficiency judgment may result from your loan. FHA insurance covers any further financial obligation to the lender. You are required to continue to pay your property taxes and home owners insurance.

Q: Will my heirs owe anything to the mortgage lender if I die?

A: Upon your death, the loan balance, consisting of payments made to you or on your behalf plus accrued interest, becomes due and payable. Your heirs may repay the loan by selling the home or by paying off the loan so that they may keep the home. If the loan exceeds the value of your property, your heirs will owe no more that the value of the property, the mortgage insurance will cover any balance due the lender. No additional financial claims may be made against your heirs or estate.

You can never owe more than the property is worth!!

Q: If my home appreciates in value during the mortgage term, who will be entitled to that money?

A: You or your heirs are legally required to pay back to the lender only the outstanding balance due. Any money remaining after the mortgage is paid goes to you or, upon your death, to your heirs.

Q: What if I decide to sell my home?

A: If you choose to sell your home, the outstanding loan balance becomes due and payable to the mortgage lender. You or your estate will receive any proceeds exceeding the loan balance.

Q: Can I sell my home to my children and continue to live in it?

A: If you sell your home to your children or any other individual, the loan will be due and payable at settlement. After the loan is repaid, any arrangement for your continued occupancy of the property must be made with the new owners.

Q: How does the fixed rate loan work?

A: On the HECM Fixed Rate Mortgage, all of the funds available to you must be dispersed front at closing.

Q: Can you use a Reverse Mortgage to buy a home:

A: Yes you can – our HECM for Purchase Program will enable you to buy a home. We calculate the benefit the same as we do on the other HECM programs to get your maximum available balance. You will have to provide the difference between the "PURCHASE" price and the maximum available HECM benefit.

Q: Where can I learn more about home equity conversion mortgages?

A: **Call Us Today 800-469-7383 or 480-832-4343**

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