2019

ADKINS CAPITAL MANAGEMENT

A COMPREHENSIVE REVIEW OF HECM REVERSE MORTGAGES IN THE UNITED STATES

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INTROUDCTION TO REVERSE MORTGAGE LOANS

Overview of Reverse Mortgage Loans

- A reverse mortgage loan is a special type of loan that is used by older Americans to convert the equity in their homes into cash.
- Reverse mortgage loans are designed to help homeowners who are house-rich but cash-poor stay in their homes and still meet their financial obligations.
- A reverse mortgage loan is aptly named because the payment stream is "reversed." Instead of making monthly payments to a lender, as with a regular mortgage, a lender makes a single payment or a series of payments to the borrower.
- A reverse mortgage loan must be repaid to the lender when the borrower dies, sells his home, or no longer lives in his home as his principal residence.
- <u>A reverse mortgage loan does not require a loan repayment for as long as the home owner lives in his home.</u>
- Eligible property types for a reverse mortgage loan includes single-family homes, manufactured homes (built after June 1976), qualified condominiums, and townhouses.

History of Reverse Mortgage Loans

- In 1989, the Reverse Mortgage loan became a tool for Senior Americans when the United States Congress authorized the Department of Housing and Urban Development (HUD) through the Federal Housing Administration (FHA) to create the Home Equity Conversion Mortgage (HECM) program.
- In 1996, an additional type of Reverse Mortgage loan became available when the Federal National Mortgage Association (Fannie Mae) created the Home Keeper Reverse Mortgage.
- In 2017, 55,332 reverse mortgage loans were obtained by home owners across the U.S., with approximately $10.6 billion in financing provided through an average principal loan limit amount of $191,793, and an average loan interest rate of 4.585%.
- As of 2019, according to both the Government Accountability Office (GAO) and the HUD, the vast majority of reverse mortgage loans are insured by FHA under the HECM program.

Criteria for Obtaining a Reverse Mortgage Loan

- The home owner must own his home, and generally all of the home owners must be at least 62 years old.
- The home must be the home owner's "principal residence."
  - The home owner must live in the home for more than one-half of the year.
- For the federally-insured "Home Equity Conversion Mortgage" (HECM) program, the home must be a single-family property, a 2-4 unit building, or a federally-approved condominium or planned unit development (PUD).
- For Fannie Mae's "HomeKeeper" mortgage, the home must be a single family home, PUD, or condominium.
- Reverse mortgage loan programs generally do not lend on cooperative apartments or mobile homes, although some "manufactured" homes may qualify if they are built on a permanent foundation, classed and taxed as real estate, and meet other requirements.

REVERSE MORTGAGE LOAN FEATURES

Legal Provisions of Reverse Mortgage Loans

- Reverse mortgage loan lenders require home owners to pay off any debt against their homes before obtaining a reverse mortgage loan.
  - Home owners can use an immediate cash advance from the reverse mortgage loan to pay off any outstanding mortgage debt.
- <u>Reverse mortgage loans are not taxable, and generally do not affect Social Security or Medicare benefits.</u>
- Reverse mortgage loans allow home owners to retain the title to their homes.
- Reverse mortgage loans must be repaid when the last surviving borrower dies, sells their home, or no longer lives in the home as a principal residence.
- In the HECM reverse mortgage loan program, borrowers can live in a nursing home or other medical facility for up to 12 months before the reverse mortgage loan becomes due and payable.

Dissemination Options for Reverse Mortgage Loan Proceeds

- Reverse mortgage loan proceeds are distributed in a number of ways, including:
  - "Single" disbursement – fixed interest rate. Lump sum distribution.
  - "Term" disbursement – adjustable interest rate. Fixed monthly cash advances for a specific time.
  - "Tenure" disbursement – adjustable interest rate. Fixed monthly cash advances for as long as the home owner lives in the home.
  - "Line-of-Credit" – adjustable interest rate. A line of credit that lets the home owner draw down the loan proceeds at any time, in amounts the home owner chooses, until the home owner has used up the line-of-credit.
  - "Modified Term" – adjustable interest rate. A combination of a Term disbursement and a Line-of-Credit; or
  - "Modified Tenure" – adjustable interest rate. A combination of a Tenure disbursement and a Line-of-Credit.

Amount of Money that can be Borrowed via a Reverse Mortgage Loan

- The amount of money that can be borrowed via an HECM reverse mortgage loan (i.e., principal limit) depends on three factors:
  - First, the age of the youngest borrower or eligible non-borrowing spouse.
    - A non-borrowing spouse is defined as the spouse, as determined by the law of the state in which the borrower and spouse reside or the state of celebration, at the time of closing and who is not listed on the mortgage as a borrower.
  - Second, the lesser of the appraised value of the home or the FHA mortgage limit as of the date of loan closing (for calendar year 2019, $726,525).
    - In the case of an “HECM for Purchase” loan, the principal limit is based on the lesser of the appraised value of the home or the sale price of the property being purchased.
    - The “HECM for Purchase” program allows seniors to use an HECM to buy a new home. Unlike a traditional HECM, an “HECM for Purchase” loan is made against the value of the home to be purchased, rather than against the value of a home the borrower already owns.
  - Third, the expected average interest rate.

Principal Limit Factor Provisions

- The amount of money that is available to prospective home owners via a reverse mortgage loan is dependent upon the principal limit factors established by the HUD.
- **HUD has established HECM Principal Limit Factors (PLFs) in order to provide the percent of Maximum Claim Amount (MCA) allowable in total cash draws, given the age of the borrower(s) and the "expected" interest rate of the loan.**
- On October 2, 2017, HUD established new PLF factor tables. Principal Limit Factor (PLFs) tables can be found on the HUD.gov website.
- The PLFs vary by age and interest rate across the full ranges of ages (18 – 99) and interest rates (3% - 18%) covered by the tables.
- Additional rates may be published as market conditions change.
- For HECM reverse mortgage loans with a fixed-interest rate loan provision, the expected interest rate that determines the PLF is the actual note (coupon) rate on the mortgage loan.
- For HECM reverse mortgage loans with an adjustable-interest rate loan provision, the expected interest rate is calculated as the sum of an underlying index rate (10-year LIBOR or Constant-Maturity Treasury yield) and the lender's index margin.
- For calculation of interest accruals on HECM loans, the lender's index margin is added to the actual interest rate index used for loan funding (1-month or 1-year, LIBOR or Constant-Maturity Treasury).
- The type of index used for PLF determination (i.e., LIBOR or Treasury) must match that used in the loan documents and for interest accruals.

Excerpt of Principal Limit Factors

- The table below provides the principal limit factors (PLF)s for prospective home borrowers between the age of 62 and 95 in an interest rate environment ranging between 4.0% and 4.875%
  - In a 4.0% to 4.875% interest rate environment, between 41.7% and 75.0% of the appraised value of the home is available to home owners via a reverse mortgage loan.
  - **The PLF factor will be higher for older borrowers.**
  - **The PLF factor will be higher in a lower interest-rate environment**.

Age	Interest Rate	PLF0	Interest Rate	PLF1	Interest Rate	PLF2	Interest Rate	PLF3	Interest Rate	PLF4	Interest Rate	PLF5	Interest Rate	PLF6	Interest Rate	PLF7
62	4.000	0.470	4.125	0.462	4.250	0.454	4.375	0.447	4.500	0.439	4.625	0.431	4.750	0.424	4.875	0.417
65	4.000	0.490	4.125	0.482	4.250	0.474	4.375	0.467	4.500	0.459	4.625	0.452	4.750	0.444	4.875	0.437
70	4.000	0.522	4.125	0.515	4.250	0.507	4.375	0.500	4.500	0.493	4.625	0.486	4.750	0.479	4.875	0.472
75	4.000	0.547	4.125	0.540	4.250	0.533	4.375	0.526	4.500	0.519	4.625	0.512	4.750	0.505	4.875	0.499
80	4.000	0.585	4.125	0.578	4.250	0.572	4.375	0.565	4.500	0.559	4.625	0.553	4.750	0.546	4.875	0.540
85	4.000	0.636	4.125	0.630	4.250	0.624	4.375	0.618	4.500	0.613	4.625	0.607	4.750	0.602	4.875	0.596
90	4.000	0.691	4.125	0.686	4.250	0.681	4.375	0.676	4.500	0.672	4.625	0.667	4.750	0.662	4.875	0.658
95	4.000	0.750	4.125	0.750	4.250	0.747	4.375	0.743	4.500	0.740	4.625	0.737	4.750	0.733	4.875	0.730

* Denotes assumptions used in the cost analysis.

COST ANALYSIS

Cost Implications of Reverse Mortgage Loans

- Lenders generally charge origination fees and other closing costs for a reverse mortgage loan. Lenders also may charge servicing fees during the term of the mortgage. The lender generally sets these fees and costs.
- The amount that a home owner will owe on a reverse mortgage loan generally grows over time. Interest expense is charged on the outstanding balance and is added to the amount owed each month. The home owner's total debt increases over time as loan funds are advanced to him and interest accrues on the loan.
- Reverse mortgage loans may have fixed or variable interest rates. Most reverse mortgage loans have variable interest rates that are tied to a financial index and will likely change according to market conditions.
- Reverse mortgage loans can use up all or some of the equity in the home owner's home, leaving fewer assets for him and his heirs.
  - <u>A "nonrecourse" clause, found in most reverse mortgage loans, prevents either the home owner or his estate from owing more than the value of his home when the loan is repaid</u>.
- The home owner retains the title to his home after obtaining a reverse mortgage loan. As a result, the home owner remains responsible for property taxes, insurance, utilities, fuel, maintenance, and other expenses.
  - If the home owner does not pay these expenses, he risks the reverse mortgage loan becoming due and payable to the lender.
- Interest expense on a reverse mortgage loan is not deductible on income tax returns until the loan is paid off in part or in whole.

Types of Reverse Mortgage Loan Expenditures

Here is a breakdown of HECM reverse mortgage loan fees and charges, according to the Housing and Urban Development (HUD):

HECM Costs

- The homeowner can pay for most of the costs of an HECM reverse mortgage loan by financing them and having them paid from the proceeds of the loan.
  - Financing the costs of the loan means that the home owner does not have to pay for the costs out of his pocket. Financing the costs reduces the net loan amount available to the home owner.

- The HECM reverse mortgage loan includes several types of fees and charges, which includes:
  - 1) Origination fee
  - 2) Mortgage insurance premiums (initial premium and annual premiums)
  - 3) Third party charges
  - 4) Interest expense
  - 5) Servicing fees.

- The reverse mortgage lender will discuss which fees and charges are mandatory.

Types of Reverse Mortgage Loan Expenditures

Origination Fee

- The home owner will pay an origination fee to compensate the reverse mortgage lender for processing the HECM loan. A lender can charge the greater of $2,500 or 2% of the first $200,000 of the home's value, plus 1% of the amount over $200,000. HECM origination fees are capped at $6,000.

Mortgage Insurance Premium

- The home owner will be charged an initial mortgage insurance premium (MIP) at closing of the loan. The initial MIP will be 2%, based on the maximum lending limit of $726,525, or the home’s appraised value, whichever is less.
- Over the life of the loan, the home owner will be charged an annual MIP that equals 0.5% of the outstanding mortgage loan balance.
- The home owner will incur a cost for FHA mortgage insurance. The mortgage insurance guarantees that the home owner will receive expected loan advances. The home owner can finance the MIP as part of his loan.

Third Party Charges

- Closing costs from third parties can include a home appraisal, title search and insurance, surveys, inspections, recording fees, mortgage taxes, credit checks and other fees.

Types of Reverse Mortgage Loan Expenditures

Servicing Fee

- Lenders or their agents provide servicing throughout the life of the HECM.
- Services include:
  - Sending the home owner account statements
  - Disbursing loan proceeds and making certain that the home owner keeps up with loan requirements, such as paying real estate taxes and a hazard insurance premium.
- Lenders may charge a monthly servicing fee of no more than $30 if the loan has an annually adjusting interest rate or has a fixed interest rate.
- The lender may charge a monthly servicing fee of no more than $35 if the interest rate adjusts monthly.
- At loan closing, the reverse mortgage lender sets aside the servicing fee and deducts the fee from the home owner’s available funds.
- Each month, the monthly servicing fee is added to the home owner’s reverse mortgage loan balance.
- Lenders may also choose to include the servicing fee in the mortgage interest rate.

Reverse Mortgage Loan: Cost Analysis Assumptions

Reverse Mortgage Loan Variables	Loan Assumptions	Notes About Reverse Mortgage Loans
HECM Reverse Mortgage Loan Type	Single Disbursement	HECM loans are also available via Term, Tenure, Line-of-credit, or Combination disbursement options.
Home Owner's Age	70	All of the home owners must be at least 62 years old in order to obtain an HECM.
Reverse Mortgage Loan Term	20 years	This assumption is based on a 20-year life span following commencement of the reverse mortgage loan.
Reverse Mortgage Loan with a Fixed Interest Rate Provision	4.50%	A fixed interest rate is only available for the Single Disbursement option.
Home Owner's Property Value	$250,000	This amount represents the appraised value of the home. During the month of November, 2019, the median market value of homes in the U.S. was $231,000.
Percent of the Home Owner's Property Value that is Available via the Reverse Mortgage Loan	49.3%	This percentage is classified as the Principal Limit Factor (PLF) by HUD. PLFs provide the percent of Maximum Claim Amount (MCA) allowable in total cash draws, given the age of the borrower(s) and the "expected" interest rate of the reverse mortgage loan.
Total Reverse Mortgage Loan Amount	$123,250	This amount also represents the initial loan balance.
Required Equity Reserve	$126,750	The required equity reserve is implied by the HUD HECM Principal Limit Factor tables.

Reverse Mortgage Loan: One-Time Costs

Upfront Reverse Mortgage Loan Fees	Dollar Amount	Disclosures
Initial Loan Balance	$123,250	**This amount represents the total loan amount.**
Third Party Closing Costs	$875	Examples of third party closing costs include a home appraisal, escrow, loan recording, credit checks, and title insurance. Costs will vary by lender and geographic locale. A home appraisal is always required.
Loan Origination Fee	$4,500	A loan origination fee is assessed by the lender to process, underwrite and close the loan. In this case, the fee is based on **2% * $200,000 plus 1% * $50,000, capped at $6,000** . Many lenders do not assess a loan origination fee.
Initial Mortgage Insurance Premium	$5,000	The initial mortgage insurance premium is **2.0% of the appraised value of the home**. In this case, $250,000 * 2.0%.
HECM Counseling Fee	$125	HUD mandates counseling with a third-party HECM counselor. This fee will vary by counselor and geographic locale.
Total Upfront Loan Fees	**$10,500**	**This amount represents the one-time reverse mortgage loan costs outlined in this table.**
Cash Distribution	**$112,750**	**This amount represents the money that the home owner will receive via the reverse mortgage loan. This amount is based on the Initial loan amount minus total upfront loan fees.**

Reverse Mortgage Loan: Ongoing Costs and Cumulative Balance

Term-Ending Period	Beginning Loan Balance	Interest Expense	Mortgage Insurance Premium	Loan Servicing Fee	Ending Loan Balance
Year 1	$123,250	$5,683	$631	$360	$129,924
Year 2	$129,924	$5,990	$666	$360	$136,940
Year 3	$136,940	$6,313	$701	$360	$144,314
Year 4	$144,314	$6,653	$739	$360	$152,066
Year 5	$152,066	$7,010	$779	$360	$160,214
Year 6	$160,214	$7,385	$821	$360	$168,779
Year 7	$168,779	$7,779	$864	$360	$177,783
Year 8	$177,783	$8,194	$910	$360	$187,247
Year 9	$187,247	$8,629	$959	$360	$197,195
Year 10	$197,195	$9,088	$1,010	$360	$207,652
Year 11	$207,652	$9,569	$1,063	$360	$218,645
Year 12	$218,645	$10,075	$1,119	$360	$230,199
Year 13	$230,199	$10,607	$1,179	$360	$242,345
Year 14	$242,345	$11,166	$1,241	$360	$255,112
Year 15	$255,112	$11,754	$1,306	$360	$268,533
Year 16	$268,533	$12,372	$1,375	$360	$282,640
Year 17	$282,640	$13,022	$1,447	$360	$297,468
Year 18	$297,468	$13,705	$1,523	$360	$313,056
Year 19	$313,056	$14,422	$1,602	$360	$329,441
Year 20	$329,441	$15,177	$1,686	$360	$346,664
Cumulative Ongoing Costs		**$194,593**	**$21,621**	**$7,200**	**$223,414**

Reverse Mortgage Loan: Analytical Conclusions

Reverse Mortgage Loan Cost Analysis	Cumulative Costs	Costs as a Percentage of the Loan
Appraised Home Value	$250,000	
less:		
Required Home Equity Reserve	$126,750	
equals:		
Initial Loan Balance	$123,250	
less:		
One-Time Costs	**$10,500**	8.5%
equals:		
Cash Distribution to the Home Owner	**$112,750**	
plus: (ongoing costs over 20 yrs.)		
Interest Expense	**$194,593**	157.9%
Mortgage Insurance Premium	**$21,621**	17.5%
Loan Servicing Fee	**$7,200**	5.8%
Total of Ongoing Costs	**$223,414**	181.3%
implies:		
Total Cost of the Reverse Mortgage Loan	**$233,914**	189.8%
implies:		
Ending Loan Balance	**$357,164**	289.8%

- A one-time cost of $10,500 and a cumulative ongoing cost of $223,414 will apply.
- The total cost of the reverse mortgage loan over a 20-year term is $233,914.
- The ending reverse mortgage loan balance of $357,164 equates to a 5.332% annual growth rate in the cost of the reverse mortgage loan over a 20-year term.
- The single disbursement loan distribution of $112,750 equates to $5,638 ($470) in additional annual (monthly) income for the home owner.
- The home owner is still responsible for annual property taxes, maintenance, and home owner's insurance over the term of the reverse mortgage loan. **For many home owners, the annual allotment of the single disbursement payment option for the reverse mortgage loan proceeds would not pay for all of the annual carrying costs that are associated with owning the home**!

EMPIRICAL RESULTS

Reverse Mortgage Loan Complaints

• The Consumer Financial Protection Bureau (CFPB) has received **3,600 complaints from borrowers about their reverse mortgage loans since 2011**. Here are their findings:

Figure 6: Types of Reverse Mortgage Complaints Received by the Consumer Financial Protection Bureau, Calendar Years 2015–2018

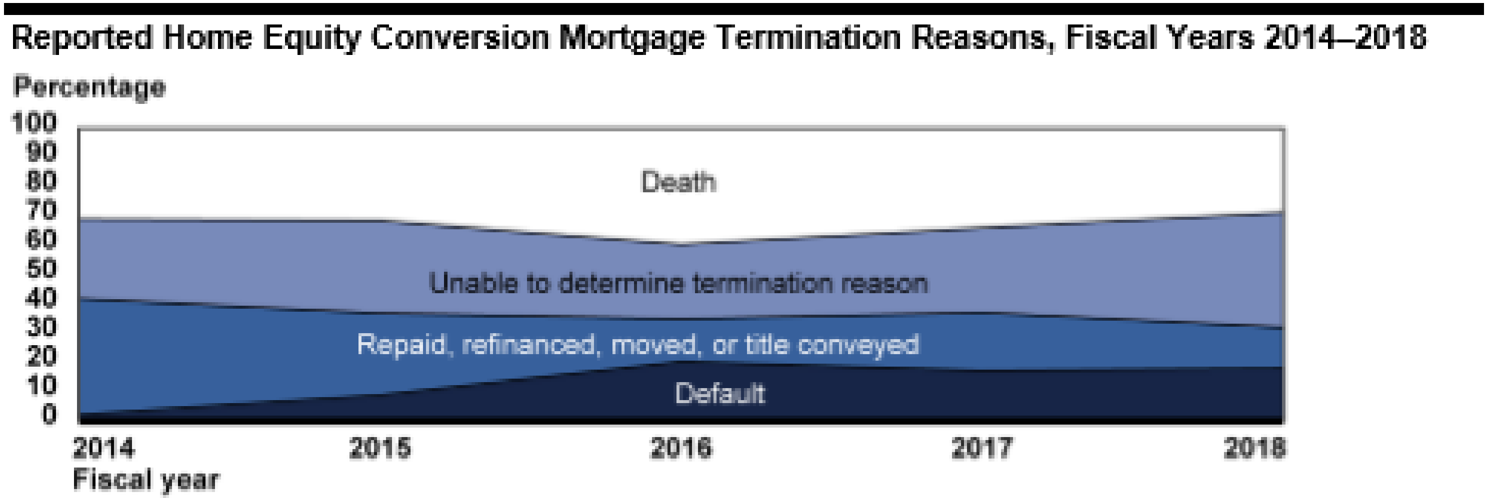
	Estimated percentage of complaints	Ninety-five percent confidence interval
At risk of foreclosure or in foreclosure	47 %	37–57 %
Poor communication on a servicing or lending issue	42	32–52
Problem at loan origination (e.g., loan funds available to borrower were less than expected)	29	20–38
Estate management (e.g., heirs struggling with disposing of loan or property after borrower dies)	27	19–37
Unfair interest rates, fees, or costs	27	19–37
Tax, insurance, or property charges	17	10–26
Problem after loan transferred to new servicer	7	3-14
Nonborrowing spouse struggling to keep home after borrower's death	4	1-10
Occupancy	4	1-10

Source: GAO analysis of Consumer Financial Protection Bureau consumer complaint data. | GAO-19-702

Note: GAO created the complaint categories by reading a random generalizable sample of 100 consumer complaint narratives. Percentages add to more than 100 percent because some consumer complaints included multiple issues and, as a result, were included in more than one complaint category. Confidence intervals are rounded to the nearest whole number.

Reverse Mortgage Loan Defaults

•In 2019, a study by the Government Accountability Office found a troubling factor leading to the termination of reverse mortgage loans.



Source: GAO analysis of Federal Housing Administration data. | GAO-19-702

- **The percentage of reverse mortgage loan terminations due to borrower defaults increased from two percent in fiscal year 2014 to 18 percent in fiscal year 2018.**
- **Most HECM defaults were due to borrowers not meeting occupancy requirements or failing to pay property charges, such as property taxes or homeowner's insurance.**
- HECM reverse mortgage loan terminations have exceeded new originations every year since fiscal year 2016.

Market Volume of Reverse Mortgage Loans

- Since 2000, the HECM reverse mortgage loan originations take-up rate has been limited.
  - The take-up rate is the ratio of HECM loan originations to eligible senior homeowners.
  - The take-up rate, which provides an indication of how popular HECMs are among the population of senior homeowners, has not reached one percent and has fallen in recent years.
- **According to the GAO, since calendar year 2010, the volume of HECM originations has declined and is about one-half of what the originations had been at their peak**.
  - In calendar years 2007–2009, more than 100,000 new HECMs were originated each year, compared with roughly 42,000 in calendar year 2018.

FINAL REMARKS

All Things Considered about Reverse Mortgage Loans

- HECM reverse mortgage loans have thousands of dissatisfied borrowers, almost one in five borrowers have defaulted on their loan, the HECM loan originations take-up rate is less than one percent, and the current HECM loan volume is only about one-half the amount that it was in 2010.
- Bank of America and Wells Fargo have exited the reverse mortgage loan business, ostensibly because they feared the risk of damage to their respective banking reputations if they foreclosed on seniors who defaulted on their HECM reverse mortgage loans.
- **Reverse mortgage loans are expensive because they have high upfront costs and high ongoing costs.**
  - Most reverse mortgage loans have variable interest rates that are tied to a financial index. This in turn makes it very difficult to estimate the total cost of reverse mortgage loans, particularly in a rising interest rate environment.
  - Each month, interest expense is calculated not only on the principal amount received by the borrower but on the interest previously assessed to the reverse mortgage loan.
- The only reverse mortgage loan payment plan that has a fixed interest rate provision is the single disbursement lump sum option.
  - **For many home owners, the annual allotment of the single disbursement payment option for the reverse mortgage loan proceeds will not pay for all of the annual carrying costs that are associated with owning the home.**

All Things Considered about Reverse Mortgage Loans

- The Consumer Financial Protection Bureau (CFPB) has identified the lump-sum distribution option as potentially risky for younger borrowers with longer lifespans because such loans place these borrowers at risk of using up their home equity early in their retirement.
- Reverse mortgage loans reduce the amount of financial assets that will be available to bequeath to the home owner's heirs.
- Homeowners that are put in nursing homes for more than one year may violate the provisions of the reverse mortgage loan contract and therefore be forced to sell their homes.
- **The GAO has determined that the FHA needs to improve the monitoring and oversight of reverse mortgage loan outcomes and servicing**.
- The terms and conditions for reverse mortgage loans are complex and comprehensive and take a significant amount of time and effort for home owners to understand.
- Most people have neither the financial education nor the time and interest to learn about all of the intricacies associated with reverse mortgage loans. This problem is compounded as people age and start to lose their mental capacities.

Alternatives to Reverse Mortgage Loans: "Things To Reconsider"

- This review of HECM reverse mortgage loans provides a comprehensive and objective evaluation of the issues that are associated with these types of complex financial products.
- **Based on this review, there are more than a dozen material issues that should dissuade most home owners from obtaining a reverse mortgage loan.**
- Home owners that need to increase the amount of income at their disposal should consider:
  - Selling their home, downsizing to a less expensive home to live in during the remaining portion of their lives, and using the residual capital to meet their financial obligations;
  - Selling their home, renting a less expensive home, apartment, or condominium to live in during the remaining portion of their lives, and using the residual capital to meet their financial obligations;
  - Staying in their home, allowing a friend to move into their home as a paying tenant, and using the income received from the friend to meet their financial obligations; or
  - Staying in their home, selling their home to their children, paying rent to their children as a tenant, and having their children serve as a landlord investor.
- **Notwithstanding the overall theme of this presentation, for home owners that are facing financial peril, a reverse mortgage loan may serve as a feasible "last-ditch effort" to monetize a portion of the appraised value of their home in order to bolster their monthly income during their elder years.**

Reverse Mortgage Loans: "Things For Investors To Consider"

- For home owners that are financially stable and are financially astute, a reverse mortgage loan may serve as a valuable financial tool.
  - Reverse mortgage loan proceeds have a moderate hurdle rate that can be greatly exceeded by investing the loan proceeds in the global capital markets.
    - In this presentation, the cost of the reverse mortgage loan only increased by 5.332% each year over the 20-year term of the loan.
      - In comparison, the year-to-date return on the S&P 500 Index is approximately 26.5%.
  - In this presentation, the appraised value of the home would only have to increase each year by 1.793% in order to offset the costs of the reverse mortgage loan.
    - Assuming that the market value of the home exceeds its appraised value, the annual required increase in the market value of the home is a very attractive cost for investment capital.
  - Reverse mortgage loans provide astute home owners with the opportunity to utilize financial leverage in order to bolster their net worth.
  - The nonrecourse clause in HECM reverse mortgage loans gives home owners a built in "put option derivative" feature that is tied to the value of their homes.
    - Home owners will never owe more on their reverse mortgage loans than the value of their homes. This "put" option provision limits the downside risk of reverse mortgage loans and would serve as a valuable feature if there is another housing crisis.
  - Reverse mortgage loans exhibit both tangible benefits (i.e. a place to live) and intangible benefits (investment capital).
- **<u>Nevertheless, HECM reverse mortgage loans were not created in order to help investors bolster their net worth. Therefore, reverse mortgage loans should not be evaluated from this perspective</u>.**

IMPORTANT DISCLOSURES

- This comprehensive analysis is based on information and data provided in the Government Accountability Office report titled: “REVERSE MORTGAGES FHA Needs to Improve Monitoring and Oversight of Loan Outcomes and Servicing” that was submitted to Congressional Requestors in September, 2019.
- Comprehensive information about the Home Equity Conversion Mortgage (HECM) loan program, including HECM Principal Limit Factors (PLF) tables, can be found on the HUD.gov website.
- The National Council on Aging has published a free guide for seniors who are considering a reverse mortgage loan. The title of the guide is: “Use Your Home to Stay at Home.”
- The contents of this presentation were researched, analyzed, written, edited, narrated, produced, and published by Troy Adkins.

Adkins Capital Management

“Helping prospective home buyers make a prudent home purchase decision”

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