

The Reverse Mortgage Tribune

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Village Realty & Home Loans, Inc.

San Jose, California

You worked for your home now let your home work for you!

Special points of interest:

- A Growing Reverse Mortgage Market
- Two Common Misconceptions
- Questions and Answers

Inside this issue:

Misconceptions	2
Retained Equity Graph	2
Question and Answer	2
How Much Will I Receive?	3
Monthly Income Graph	3
Contact Information	4
Five Steps to Safety	4

Your home is your most important asset. Typically it is the single largest investment a person has. If it were not for the reverse mortgage program there would be no way to access your biggest savings account without incurring more monthly debt. So in short your home becomes an investment annuity that provides you with income for life.

If you would like to have more monthly income, travel more, make needed repairs to your home, pay for long term health insurance or in home health care then a reverse mortgage may be the right loan for you.

Reverse Mortgages provide the much needed cash for the older homeowner, especially here in the Bay Area where the cost of living is so high. The funds can be used as monthly income, a credit

line or part monthly income and part credit line. Reverse Mortgage proceeds can be customized to your individual needs and can be changed after inception if desired. The Reverse Mortgage can even be paid down and reused over the life of the loan.

Because you are only charged on what you use any unused portion of a line of credit will earn credit line growth in excess of what the interest rate is!

There are no payments for as long as you live in the property. The proceeds can be used to pay off existing mortgages which is another way to increase your cash flow. In a few cases our reverse mortgage clients have used the proceeds to put grandchildren through college, which also reduces their estate's future probate tax.

In all cases the income is tax-free and you retain ownership and control over your property.

Once you no longer live in the property the principal balance plus accrued interest is simply paid back. The remaining equity including all future growth in the home is yours or your estate's.

Inside this newsletter you will find a couple of graphs that will help you get an idea of how much you can receive and a sample projection of how your homes equity can grow while your home pays you extra income.

The State of Reverse Mortgages In America

Reverse Mortgages are, with every new year, becoming more and more sought after. The coming years are no exception as the Baby Boomers will begin to inundate the market with new applications to offset the rise in the cost of living.

Currently 2006 is a banner year and is far surpassing last year in the number of Reverse Mortgages that have been obtained. In the

United States for Fiscal Year 2006 (October to September) there have been 62,034 endorsed Reverse Mortgages thus far, 22,475 of which were completed in our region. This time last year there were only 33,543 endorsed cases for the United States.

Reverse Mortgages are becoming more and more accepted. A third of the endorsed cases alone were in our region, which shows

the need to offset the cost of living in our area. The fact that there are far more Reverse Mortgages this year from last year is an indication that the public is becoming more aware of how to keep their home and have it work for them.

Most Common Misconceptions Revolving Around Reverse Mortgages

Will I Lose My House If I Obtain A Reverse Mortgage?

The single biggest misconception that all correspondents run into when educating a client is the assumption that they are borrowing money in exchange for their home. This cannot be further from the truth.

We have read this online in chat forums, heard this from clients inquiring about a Reverse Mortgage, and have even had colleagues in the industry, who should know better, tell their parents that this is the case. You are not alone if this was your as-

sumption.

A HECM Reverse Mortgage, which is an FHA insured program that protects the interest of the homeowner, acts similar to a Line of Credit in that it allows you to pull your money out of your house to use as you see fit. The difference is that the Reverse Mortgage does not require any payments to be made for the life of the loan and it is insured by FHA.

Thus, when you decide to move or your estate is selling

your property, the loan balance is paid back plus any accrued interest. As simple as that, just as a Line of Credit or a normal mortgage would be. It acts as a lien on the property, and that is it. The remaining equity is yours or your estate's.

The title to your property never once leaves your name or trust and you can do as you see fit to your property when you want; you can pay the balance down, or even pay the balance of your Reverse Mortgage off entirely.

“In most cases your equity continues to grow, which means there will be an inheritance left for your heirs.”

Will There Be Anything Left To Inherit?

This is, quite naturally, a concern when considering a Reverse Mortgage. Whether it be the family who is worried about losing their inheritance or the parents worried about not providing an inheritance,

this question always comes up. The general assumption is that the inheritance will be lost. In most cases this is a misconception .

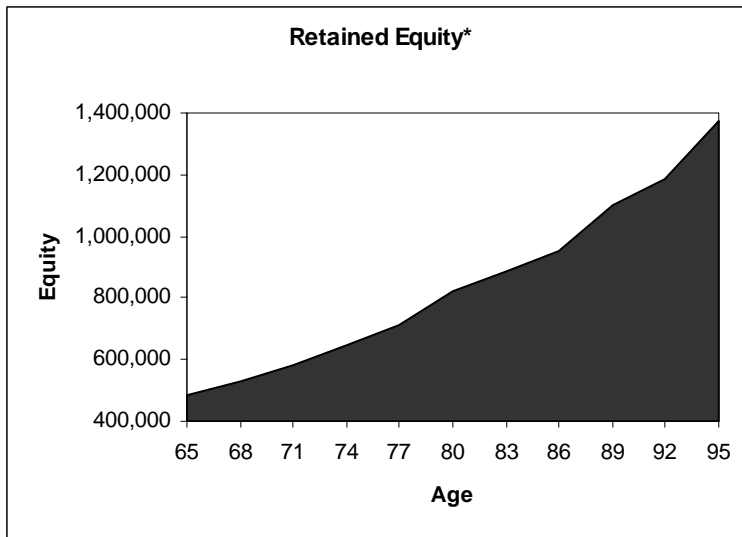
Since you continue to own your home, it will continue to

appreciate in value as the market dictates. If homes in your area appreciate at 8%, than your home will appreciate at 8% as well. To put this into perspective, the loan accrues interest, while your home continues to appreciate in value faster than the interest can accrue usually.

The graph to the left uses a monthly income scenario and demonstrates how much equity would be retained *after* the loan balance for your Reverse Mortgage is paid in full. As you can see, your equity continues to grow, which means there will be an inheritance left for your heirs.

The graph to the right represents a person aged 65 with a home value at \$500,000, who took the maximum monthly income payment of \$1,095, and has no liens on the property. The house is appreciating at a modest 6% a year.

*Represents market conditions on 4/20/06



Question and Answer

Here are some commonly asked questions and their answers.

Q. How is the amount I would receive derived?

A. Each person would be eligible to receive an amount that is specific to their age, the current interest rate and the county that they live in. Taking all of this into consideration a factor specific to

you is derived. This is in turn multiplied into the FHA Principal Limit, which is currently \$362,790. This limit is set by FHA and is the same for everyone in that county. Additionally, the interest rate

is set in place by an act of Congress, so it is the same interest rate across the Nation for everyone, and it is the same interest rate that all loan correspondents must use. The interest rate is set at 1.5% over the 1 Yr. T-Bill for the monthly HECM.

Q. How do I qualify for a Reverse Mortgage?

A. The only qualifications are that you and anyone who is on title be at least 62 or older and that your liens on the property do not exceed the proceeds of the Reverse Mortgage.

Q. What if I have a mortgage on the property currently?

A. This is very common, as one of the main reasons a Reverse Mortgage is obtained is to pay off an existing mortgage and free up the cash that is being spent every

month.

The only time this becomes difficult is if you owe more on the property than you would receive from the Reverse Mortgage. If you owe \$250,000 and you are eligible to receive \$225,000, you would fall short by \$25,000. This doesn't mean you cannot get a Reverse Mortgage, it just means that you would have to borrow from a friend or family member, perhaps pull some money from a savings account or an investment property in order to cover the difference and obtain a Reverse Mortgage.

Q. What if my house is in a trust?

A. So long as the trust is a living revocable trust than the Reverse Mortgage is not a problem. An amendment would be created to incorporate into the trust the fact

that a Reverse Mortgage was obtained.

Q. My house needs repairs, will this prevent me from obtaining a Reverse Mortgage?

A. No, it won't. In most cases FHA no longer requires a pest inspection, which means the homeowner no longer needs to address repair issues. You may want to do repairs, but this is entirely up to you.

Q. What if I have two homes and live in both?

A. The house that you intend to use for the Reverse Mortgage would need to be your primary residence, which means you must live there for over six months out of the year.

"This is very common, as one of the main reasons a Reverse Mortgage is obtained is to pay off an existing mortgage and free up the cash that is being spent every month."

How Much Am I Entitled To Receive and How Can I Receive It?

This varies with every person, as mentioned above. Your age, the county you live in, and the current interest rate all play a role.

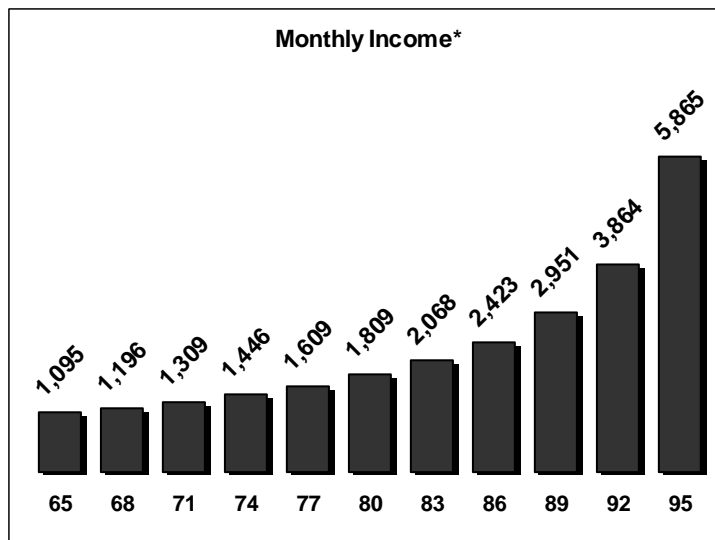
First, we will answer the last half of the question. You can receive your proceeds in a variety of ways. You can chose to receive monthly income for life, or you can designate a set amount per month. You can have the proceeds in a credit line, or you can take it all as a lump sum payment. Really, it all comes down to how you want it. Combine several together, or choose one. It is your option.

The amount that you receive is based upon the youngest borrower's age. Using a married couple of 68 and 65, the proceeds would be based on the 65 year old's birthday. With

no liens on the property they would be able to receive \$1,095/mo for life. As the graph shows, the older you are the more you could receive because the life of the loan is not as long. So if you are 75 you could receive \$1,600, and 85 could receive

\$2,200 (based on age at escrow).

You could request to receive \$50,000 up front and the rest as monthly income for life. These are options that are all available and only depend on your circumstances.



The graph to the left represents a home valued at \$362,790 or more with no liens on the property. This example reflects the maximum amount of monthly income received in relation to the age of the borrower.

*Represents market conditions on 4/20/06

Let Your Home Provide For You!

Hello, my name is Phil Hawkinson, President and CEO of Village Realty & Home Loans, Inc. I first began in the industry in the late seventies while completing my masters degree in psychology. I eventually incorporated in 1984. As the first mortgage brokerage in Evergreen Valley, San Jose, I was introduced to Reverse Mortgages in 1992 when my mother asked if I would see what it would take to help her friend in the Villages

obtain a HECM loan. At that point in time, FHA-HECM Reverse Mortgages were in their infancy and not much was known about them. I applied for and was invited to take part in the Governments FHA-HECM pilot program on the west coast, eventually becoming the oldest reverse mortgage brokerage in Northern CA to offer the FHA-HECM Reverse Mortgage program. I personally managed getting The Villages of Evergreen

Valley approved with FHA for Reverse Mortgages, and am still actively involved in getting individual tracts added to the approval list .

To this day Village Realty and Home Loans Inc. is the largest Reverse Mortgage brokerage in San Jose, Ca.

Best Regards,

Phil Hawkinson
President and CEO



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Fannie Mae's Five Steps to Safety

1. Learn The Basics of How Reverse Mortgages Work

There is a full array of products and variations of those products available. It is important to understand these and decide which is the best one for your financial needs.

There are numerous brochures that are made available. Call us at (408) 274-3333 to obtain these free of charge.

When speaking to Village Home Loans or a Reverse Mortgage counselor be sure to ask as many questions as needed so that you understand how it works. If need be, keep asking until you understand.

2. Decide For Yourself if a Reverse Mortgage is Right for You

It is your house, and it should be your decision whether to apply for a Reverse Mortgage. We encourage you to seek advice from family members—but ultimately the decision must be yours.

3. Make Your Own Choice About How to Use Your Reverse Mortgage Funds

How you decide to use your Reverse Mortgage funds is entirely up to you. Among other possibilities, you could:

- Supplement your retirement income

- Make home repairs
- Travel more frequently
- Cover medical expenses

A Reverse Mortgage is never contingent upon spending your money a certain way, especially in conjunction with a financial planner or an annuity. Beware of annuity type transactions. Seek good advice from your attorney or mortgage professional.

4. Make All Reverse Mortgage Funds Paid Directly to You

The funds are yours alone. Always have the funds transferred to your bank account or mailed to your house,

even if you intend to pay someone else with it. Don't let anyone persuade you to "sign over" the funds in payment .

5. Feel Free to Call Village Home Loans With Any Questions or Problems

As a Reverse Mortgage specialist, we are available to answer any and all questions concerning Reverse Mortgages. If you have questions about the Reverse Mortgage programs available, or you received a Reverse Mortgage and have questions after the fact, feel free to call us at (408) 691-7490.