



BARNETT MORTGAGE
Home of the Low Rate[®]

**The New Smart
Reverse Mortgage**

Three Basics of The New Smart Reverse Mortgage

1 **Receive Tax-Free Money From Your Home Equity**

A reverse mortgage is a loan that converts equity in your home into cash that can be used for many different purposes that enhance and extend your retirement plan. If you currently have a mortgage, a reverse mortgage can eliminate your monthly mortgage payment and allow you to access additional equity that is not readily available as home value. You must still pay property taxes, insurance, and maintenance.

2 **Eliminate Your Monthly Mortgage Payment**

The New Smart Reverse Mortgage is the only mortgage that does not require a monthly payment until you pass away or move out of your home. You must continue paying taxes, insurance, and maintenance. Whether you take a line of credit, monthly checks, or a lump sum, you will not be required to make a mortgage payment while living in your home.

3 **Never Owe More Than the Home is Worth**

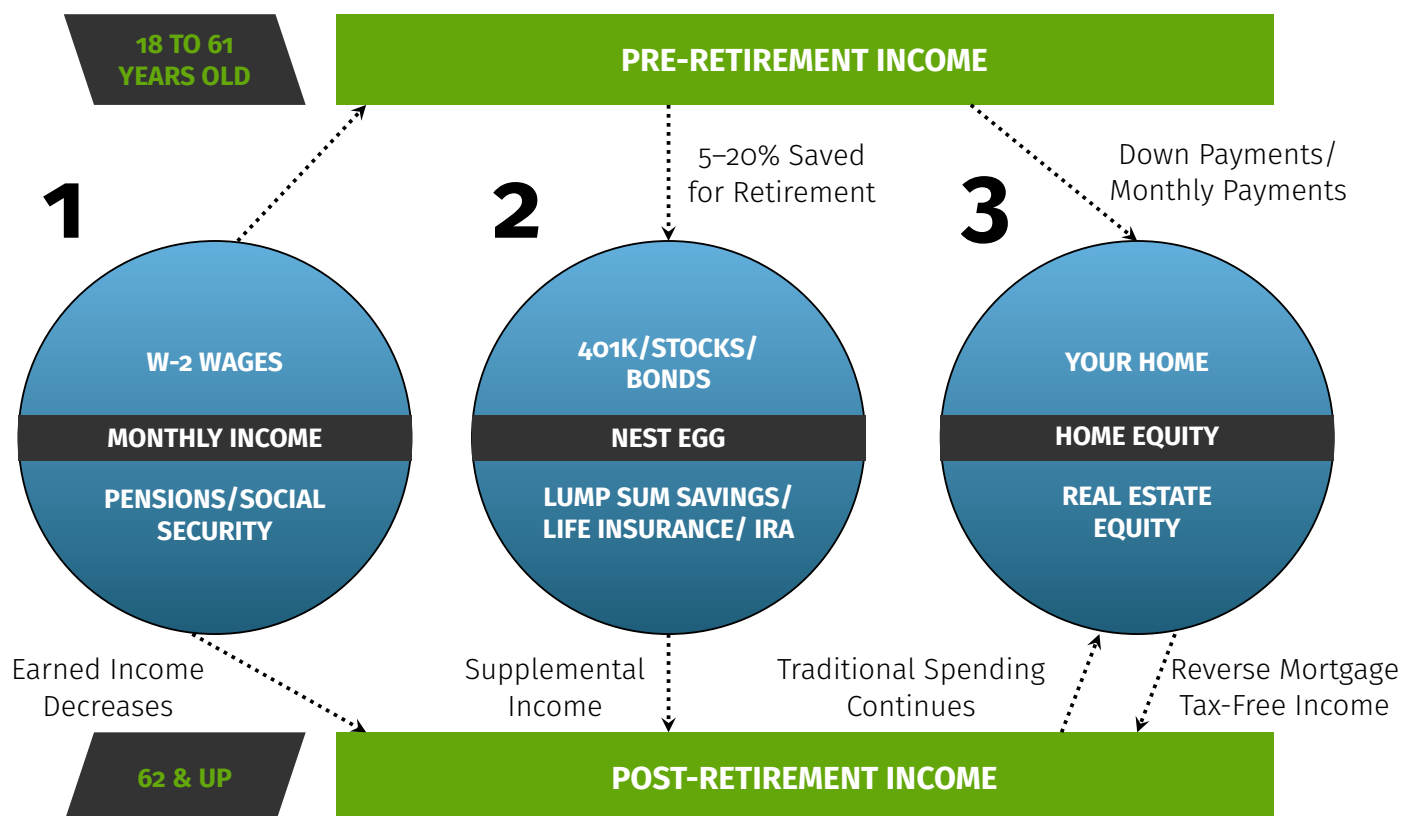
When you permanently move out of your home, neither you nor your heirs are responsible for any deficit if the loan balance exceeds the home value. Your heirs may purchase the home for 95% of the current appraised value.



The Three Buckets of Home Equity

Many people believe that paying off their home and having a large amount of equity is the Holy Grail of retirement. They often wait to retire until the mortgage is gone and then feel their finances are safe. Home equity can be helpful, but it is not ideal because it is not liquid. With changing home values, health care costs, and long term care needs, it is often better to keep more of your wealth in cash or other flexible assets instead of locking it inside the walls of your house.

History shows that home values can fall and that families can lose homes when markets or jobs change. A reverse mortgage changes the picture because there is no required loan payment and no risk of foreclosure as long as you live in the home as your primary residence and keep up with taxes, insurance, and maintenance. Used correctly, home equity becomes a tool that supports retirement. Your home is a wonderful place to build memories, but it may not be the best place to store a large share of your retirement savings.



The New Smart Reverse Mortgage Is Not

It Is Not a Sale:

The deed stays in your name and you remain the homeowner. The lender does not own the house or decide what you can do with it. As long as you live in the home, pay the taxes, insurance, and maintain the property, you stay in control of your house and your choices.

It Gives You Tax Free Money but It Is Not Free Money:

The funds you receive are loan proceeds, which means they must be repaid in the future. The loan balance grows over time and is paid back when you move out of the home or pass away, usually from the sale of the property. You are not required to make monthly payments, but you must still pay taxes, insurance, and upkeep.

It Is Not a Lifetime Commitment:

You can sell your home or move whenever you choose. If you move out or sell the property, the loan becomes due and is paid from the proceeds of the sale. As long as you meet the program requirements, you are free to change homes, downsize, or move closer to family whenever that is right for you.

It Is Not a Program Lacking Homeowner Protections:

This program is insured and regulated by the Federal Housing Administration. Borrowers pay mortgage insurance premiums that support the program, rather than general tax dollars. The safeguards are in place to help ensure that lenders and borrowers are treated fairly and that seniors are protected.

It Is Not a Loan of Last Resort for the Poor:

A reverse mortgage is designed to be part of a thoughtful retirement plan, not something that is used only after every other option has been exhausted. When it is set up early and used wisely, it can help preserve other savings, reduce financial stress, and allow homeowners to remain in their homes with more confidence.



The New Smart Reverse Mortgage IS

A Loan that Converts Equity to Cash for Many Different Uses:

A reverse mortgage can turn a portion of your home equity into cash that you can use in many ways. Some people use it to pay off their existing mortgage so they no longer have a monthly payment. Others create a reserve fund for unexpected expenses, health care, travel, or home repairs. Used thoughtfully, it can be a flexible tool to help you stay ahead of future cash flow challenges instead of reacting to them later.

Use for Lengthening or Increasing Retirement Income:

Extra income in retirement can help you do more of the things you have always wanted to do. Funds from a reverse mortgage can be used to supplement Social Security, pensions, or other savings so you can enjoy hobbies, travel, or time with family without worrying as much about outliving your money. Instead of cutting back sharply, you may be able to maintain a more comfortable lifestyle for longer.

Strategic Estate Planning and Gifting:

For some clients, home equity can be used to support a broader estate plan. Reverse mortgage proceeds may allow you to make gifts to children or grandchildren while you are alive to see them benefit, help with education or a first home, or support a family business. When coordinated with a qualified advisor, it can be part of a plan that balances your needs today with what you hope to leave to the next generation.

Opportunities that Need Cash Now:

Life sometimes presents time-sensitive opportunities: a vacation home at a favorable price, a chance to help a loved one avoid foreclosure, or a major purchase that will not wait. Because a reverse mortgage does not require monthly payments while you live in the home and meet program obligations, it can provide access to cash when the timing is important and other resources are not as readily available.

Legacy for Charity or the Next Generation:

Many people want to do something meaningful with the wealth they have built. Reverse mortgage funds can help you support charitable causes, faith-based organizations, or community projects that matter to you. They can also be used to enhance the legacy you leave to children or grandchildren, whether through gifts during your lifetime or through coordinated planning with other assets.

Deferring Payments from Other Retirement Sources:

The longer you can delay drawing on certain retirement accounts or benefits, the more flexibility you may have later. A reverse mortgage can help you postpone tapping IRAs, 401(k)s, or other investments during down markets, or delay filing for Social Security so your benefit can grow. Used this way, home equity becomes a buffer that helps protect other parts of your retirement plan.

*The information in this brochure is for educational purposes only and does not constitute financial, legal, or tax advice. Please consult your professional advisors regarding your specific situation.

Should You Consider The New Smart Reverse Mortgage?

Some people never take the time to sit down and ask these questions. Some are easy and some are uncomfortable, but they can help you decide whether this program may improve your retirement plan.

If you check yes to two or more of the questions below, we should talk soon.



- ☐ Am I choosing not to do special things like going out to eat or taking vacations because my budget feels too tight?
- ☐ Am I concerned about losing my home if I ever need nursing home or long term care?
- ☐ Am I worried about running out of money before I run out of life?
- ☐ Have I missed time with family and friends because of money concerns?
- ☐ Am I uneasy about how much I have saved in my nest egg and retirement accounts?
- ☐ Would I like to have a condo, lake house, or a place that is warm in the winter?
- ☐ Would I like to live in a newer or smaller home that is all on one level?
- ☐ Do I feel confident that I have enough money for my lifestyle if I live into my nineties?
- ☐ Is there a legacy I would like to leave to my family or a charity, but I am not sure how to do it?
- ☐ Would I like to help my family, my church, or other causes but feel I do not have enough for myself?
- ☐ Do I think reverse mortgages are only for people who are poor and worry what others might think if they knew I was looking at one?
- ☐ Have I put off meeting with an attorney to create an estate plan and powers of attorney, so my children may face higher costs and delays in probate later?

The Top Myths and Misunderstandings

Many people still feel uneasy about reverse mortgages because of old stories, half-truths, or alarming headlines. Today's program is tightly regulated, but some early rumors still linger. Our goal is to replace myths with clear facts so you can make a confident, informed decision.

Here are some of the concerns we hear most often, along with the reality behind each one.

MYTH: I could lose my home and be forced to move.

FACT: If you live in the home as your primary residence and keep up with taxes, insurance, and basic maintenance, you may stay. The lender expects repayment later, not to take your home.

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MYTH: My home will be taken away when I pass away and my family will lose it.

FACT: Your heirs decide what happens next. They can sell, keep the home by paying off the balance, or walk away if it is worth less than the amount owed. The loan is non-recourse, so no one can owe more than the home's value.

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MYTH: My house must be debt-free before I qualify.

FACT: Many people use a reverse mortgage to pay off an existing mortgage. As long as HECM proceeds cover current liens and closing costs, the home does not have to be paid off first.

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MYTH: The safest thing is to keep the house "free and clear."

FACT: Keeping too much wealth in home equity can limit flexibility if you need care or face major expenses. A reverse mortgage can turn part of that equity into cash or a line of credit you can use when needed.

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MYTH: I will be giving up the deed to my home and will not own it anymore.

FACT: Your name stays on the title just as with a traditional mortgage. You remain the owner; the reverse mortgage is simply a lien secured by the property.

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MYTH: I cannot afford another mortgage payment.

FACT: A HECM does not require a monthly principal and interest payment while you live in the home. You still pay property taxes, homeowner's insurance, and upkeep, but there is no required mortgage payment each month.

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MYTH: Reverse mortgages are too expensive.

FACT: Program changes and competition have brought costs closer to many other long-term tools. In return, you get no required monthly payment, non-recourse protection, and access to funds when you follow program rules.

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MYTH: My children will be stuck with a large mortgage debt if I live a long time.

FACT: Heirs are never personally responsible for more than the home's value when the loan is repaid. If the balance is higher, FHA insurance covers the difference, not your family.

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MYTH: Only people who are desperate or bad with money get a reverse mortgage.

FACT: Many financially strong homeowners use a reverse mortgage as part of a broader plan—to add reserves, manage market risk, or support aging in place with more comfort and control.

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Q&A About Reverse Mortgages



Q: When you have a reverse mortgage, who owns your home?

A: You remain on the title and continue to own your home. The reverse mortgage is a loan secured by the property, not a transfer of ownership.

Q: What payment options are available?

A: Depending on your situation, you may choose a line of credit, monthly payments, a lump sum at closing, or a combination. Your loan officer can help you decide which option best supports your retirement plan.

Q: What happens if you change your mind later and want to pay the loan down or off?

A: You may make voluntary payments at any time without a prepayment penalty. If you sell the home or move, the balance is typically paid off from the sale proceeds, just like a traditional mortgage.

Q: Do you have to make a monthly mortgage payment?

A: You are not required to make monthly principal and interest payments while you live in the home. You must still pay property taxes, homeowner's insurance, and keep the home in reasonable repair.

Q: What basic responsibilities will you continue to have?

A: You must live in the home as your primary residence, pay property taxes and insurance on time, and maintain the property. Failing to meet these obligations could cause the loan to become due.

Q: What happens if you do not keep up these responsibilities?

A: If you do not continue to pay taxes, insurance, or necessary repairs, the lender may be required to take action to protect the property, including calling the loan due according to HUD guidelines.

Q: What if you move out permanently or into assisted living?

A: When the home is no longer your primary residence, the loan becomes due. You or your heirs may repay the balance from savings or from the sale of the home. Any remaining equity after the loan is paid still belongs to you or your estate.

Q&A About Reverse Mortgages

Q: What if you live in your home only part of the year?

A: You must live in the property as your primary residence for the majority of the year, generally at least six months and one day. Vacations or short trips are fine as long as the home remains your main residence.

Q: Will your children have to move or sell as soon as you pass away?

A: Your heirs may choose to sell, refinance, or pay off the loan from other assets. They generally have time to make arrangements and decide what is best for the family and the property.

Refinance Questions:

If you refinance your current Smart Reverse Mortgage, will you still have to pay mortgage insurance? How does this work?

When you refinance, the original Smart Reverse Mortgage is paid off and replaced with a new one. You will pay upfront and ongoing mortgage insurance premiums on the new loan, just as you did on the first Smart Reverse Mortgage, as required by FHA rules.

What are some additional costs you will incur with a refinance?

A refinance usually includes closing costs such as an appraisal, title work, government recording fees, and lender or counseling charges. These costs may be paid in cash or financed into the new Smart Reverse Mortgage, depending on your situation.

Questions About Smart Reverse Mortgage's For Purchase:

When you purchase a home with a Smart Reverse Mortgage, will it be held on your existing home or your newly purchased home?

With a Smart Reverse Mortgage for Purchase, the reverse mortgage is secured by the home you are buying. Your previous home is not used as collateral for the new Smart Reverse Mortgage.

How will the lender determine how much money you will need at closing?

The required down payment depends on the home price, your age, current interest rates, and FHA limits. The lender will calculate how much of the price the Smart Reverse Mortgage can cover and how much you must bring to closing.

What sources of funds are allowed when you purchase a home with a Smart Reverse Mortgage?

Buyers typically use their own savings, proceeds from the sale of another home, or eligible gifts from family. Borrowed funds are restricted; the lender will review your sources to be sure they meet FHA guidelines.

Why is my down payment higher with a reverse mortgage?

Because you will not have a required monthly mortgage payment, more equity is needed upfront. A larger down payment helps ensure there is enough cushion in the HECM to cover interest and costs over time while keeping the loan within FHA limits.

What Do You Qualify For?

To be filled out by your Certified Reverse Mortgage Planner.

Based on your estimated home value of

\$

and the age of youngest borrower

and the current interest rates (See attached Disclosures for APR and fees and costs allowed by HUD).

You are eligible for about:

\$

in a lump sum the 1st year after

paying off your current mortgage of \$

Or

\$

in monthly disbursements that you receive for the rest of your life

Or

\$

in a growing line of credit

Paying off your mortgage will eliminate your monthly payment of \$

That is actually \$ per year in cash flow.

**Beware of lenders who tell you they will get you a higher amount of cash than anyone else. All lenders MUST follow FHA guidelines as to how much can be paid out to the borrowers. If there is a big difference ask your lender if the loan can be insured by FHA.*

Loan Officer: _____

Phone Number: _____

NMLS: _____

Email: _____



The Checklist

- ☐ Meet with Barnett Mortgage
- ☐ Sign an Application
- ☐ Provide Basic Income Documentation
- ☐ Approved FHA Counseling
- ☐ Appraisal
- ☐ Underwriting
- ☐ Closing
- ☐ Receive Checks or Payoffs

The average time period is 4-6 weeks.



So... You Don't Need A Reverse Mortgage Now?

The Financial Power and Safety of a Smart Reverse Mortgage:

Most financial advisors will encourage you to have a line of credit for unexpected (or planned) purchases or shortfalls in cash flow. However, a Smart Reverse Mortgage has a clear-cut advantage over the traditional credit line, which is the guaranteed growth that starts at about 4% per year. While the cost of setup for a Smart Reverse Mortgage is higher, the benefits quickly outweigh the costs. Your line is guaranteed to grow regardless of home appreciation, interest rates, or the underlying value of your home. If you take out a Smart Reverse Mortgage at age 62 instead of 82, it's quite likely that your credit line could grow to be greater than the value of your home, especially in areas of the country where values don't increase substantially.

The earlier you set up your line of credit, the more compounding occurs so you will have a substantial available line in your later years when you may need it the most. Even though your cash flow and your investments are fine now, 20 to 30 years to retirement is a long time, which is why it's important to set your line early. A major part of your net worth is readily available in cash without having to sell your home. You can draw out the home equity and still live in your home by only paying your taxes, insurance, and maintenance. This is an example of having your cake and eating it too!

The Financial Power and Safety of a Smart Reverse Mortgage Line of Credit:

Most common uses of the New Smart Reverse Mortgage when you don't need the money now:

1. Use as a stand-by line of credit so you can keep your cash fully invested.
2. Delay filing for Social Security until you are 67–70 and use the credit line to fill any income gaps.
3. Bridge the Medicare gap from 62–65 for health insurance premiums or reduce your taxable income to increase ACA subsidies.*
4. Pay for life insurance with long-term care riders without impacting your overall cash needs.
5. Use for tax planning purposes by using optional payments strategically.*
6. Save on taxes by decreasing withdrawal rates on IRAs and other taxable accounts.**
7. Purchase a vacation home without increasing payments or decreasing investment assets.

**Consult a tax advisor for specific guidance. **Consult a financial planner regarding your retirement plan.*