



Can a Reverse Mortgage Help You?

A reverse mortgage is a loan against the equity in your home that provides tax-free cash advances, but requires no payments during the term of the loan. You must be at least 62 and own your own home in order to qualify for a reverse mortgage. There are no income or credit requirements. Even if you still owe money on your first mortgage, you may be eligible for a reverse mortgage.

The money from your reverse mortgage can be used for almost anything including daily living expenses, medical expenses and prescription drugs, investments, or to pay off existing debts or home repairs and improvements. The money from a reverse mortgage is available as a lump sum, fixed monthly payments, a line of credit or a combination of the three.

Since a reverse mortgage is a “non recourse” loan, your risk is minimal. No matter how high the loan balance grows, you or your heirs never owe more than the home’s market value. You can’t lose your home as long as you live in it, maintain it, and pay the property taxes and insurance.

Supplements Social Security with monthly payments from a reverse mortgage.

“I was lucky in love, not so lucky with money,” says Constance Gagnon, 75, who has loved and lost two husbands.

Before World War II, Constance was engaged to her first love, Wilfred “Bill” Gagnon, but broke off the relationship by the end of the war. Later, she married Walter A. Murray, a union that lasted 37 years until Walter’s death in 1992. In 1993, Constance heard that Bill’s wife had died so she sent him a sympathy card. They renewed their friendship and got married in 1994. Six months later, Bill also died.

Constance had a little Social Security income from her own employment, but none from either of her husbands.

Getting a reverse mortgage gave Constance the ability to get caught up on bills and have a little extra income. “Now I’ve been able to join a few clubs, go out for lunch - just enjoy daily life,” explains Constance, “I’m extremely happy with the extra income.”

Constance Gagnon is an actual reverse mortgage customer.

The amount of benefits that you qualify for depends upon a number of factors.

- Your age when you apply for the loan.
- The type of reverse mortgage you choose.
- The value of your home.
- Current interest rates.
- Where you live.

The money you receive from a reverse mortgage does not impact social security payments, SSI or Medicaid. You do not pay taxes on the money and may even qualify for a tax deduction when you or your heirs either sell the home or you no longer live there and you pay off the loan. (Consult a tax advisor for more information about tax deductibility.)

The costs associated with getting a reverse mortgage are similar to those of a conventional mortgage including an origination fee, appraisal and inspection fees, title policy, mortgage insurance and other normal closing costs. All of these costs can be rolled into the mortgage.



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Frequently Asked Questions

Am I eligible for a reverse mortgage?

To be eligible for a reverse mortgage the youngest person on the title must be 62 years old and own a home that has some equity. You do not need any income and there are no other qualification requirements.

How do reverse mortgages work?

A reverse mortgage is an adjustable rate loan which pays you to live in your home. The amount you receive is based on your age and the value of your property. Changing interest rates affect the outstanding balance on the loan, but not the amount of the payments you receive. The lower the rate, the older the borrower and the higher the value of the property, the more money you are eligible to receive according to guidelines established by the Federal Government.

When your house is sold, the total of all the loan advances (including any money you borrowed for loan fees) plus the interest accrued is the amount you owe.

Helps seniors who need extra income, but want to stay in their homes.



Patti and Al worked hard to pay off their home. But after putting four children through college, they have very little in savings. A reverse mortgage was just what they needed to supplement their other retirement income and allow them to travel to see their grandchildren.

With guaranteed monthly payments for the rest of their lives, they have the income they need to retire while still retaining the security of knowing they will always have the right to live in their home.

You will never owe more than your home's worth at the time you permanently leave the home. This cap on your loan balance is called a "Non-recourse" limit. It means that the lender, when seeking repayment of the loan, does not have legal recourse to anything other than your home's value.

What are the benefits of a reverse mortgage?

- You keep ownership of your home.
- You have easy access to the equity in your home.
- You receive tax-free income while making no monthly payments.
- Your interest may be tax-deductible. (Consult your tax advisor.)
- There is no income or credit verification.
- The bank has no claim on any assets other than the value of the house.



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Can I get a reverse mortgage if there is already a conventional mortgage on my home?

Yes, but the existing mortgage must be paid off at the reverse mortgage closing. (You may use part of the proceeds of the reverse mortgage to pay off the existing mortgage.) Any additional funds from the loan would be paid out in a lump sum, monthly payments, a line of credit or a combination of the three.

Will I still own my home?

Yes. As with any mortgage, the lender has a lien against your property and the loan balance increases over time. When the home is sold, you or your heirs pay off the loan balance and keep the remaining equity. Payments from a reverse mortgage do not affect your eligibility for Social Security, or Medicare Supplemental Security Income.

Allows seniors to meet unexpected increases in living expenses.



Cesar has lived in his home for over 30 years. When he first moved in, the neighborhood was a quiet community where he and his wife raised their children.

After his wife died, he retired, spending his leisure hours gardening and working on his home. Now his neighbors' homes are being torn down to make room for upscale townhomes and property taxes are skyrocketing.

A reverse mortgage has given Cesar the ability to stay in his home while keeping up with his taxes. As the value of real estate in the area increases, his equity increases so he has a growing credit line to draw from.

Does the lender take the house?

This is a misconception. A reverse mortgage is simply a loan against the property. The title remains in the name of the borrower and the lender is only repaid the loan balance or the home value, whichever is less.

Can I lose my house with a reverse mortgage?

As long as you maintain the home, and pay the insurance, and real estate taxes, you cannot lose it. The only way you can default on the loan is if you declare bankruptcy, abandon the house, or commit fraud or misrepresentation.

While you have a reverse mortgage, you may not add a new owner to the home's title, or use your home as collateral to take out more debt.

How do you know if a reverse mortgage is right for you?

If you are trying to decide between getting a reverse mortgage or selling your home to move to a less expensive place, compare the costs of selling your house including the real estate broker fees, moving expenses and setting up a new household to the fees you would pay when getting a reverse mortgage. These fees could include an origination fee, closing costs, a servicing fee and a mortgage insurance premium.



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How do I get paid?

You can get the proceeds of the loan in one or a combination of ways.

- A lump sum at the time of the loan closing.
- A credit line you can access when you need extra money.
- Monthly payments for a specific number of years (called a term plan).
- Monthly payments which continue as long as you live in your home (called a tenure plan).

Provides an excellent source of funds for meeting home health care or prescription drug expenses



Bob and Milly saved all their lives for retirement. Last year Milly had a stroke and needs expensive home health care, which has cut deeply into their savings.

A reverse mortgage saved their retirement dreams by letting them live in their home for as long as they want while still giving Milly the care she needs.

Now the bank sends them a monthly check which covers their medical expenses and they don't have to worry about having to move from the home they love.

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How is the loan repaid?

You or your heirs pay back the cash advances they have received plus accumulated interest. If the property is sold, the loan is paid out of the proceeds. Any money left after the loan is paid belongs to you or your heirs. If the sale price of the house is not enough to cover the cost of the loan, you or your heirs are not responsible for the short fall.

Do I or my heirs have to sell the property to repay the loan?

No, repayment can be accomplished by refinancing the existing reverse mortgage with a conventional mortgage loan.

Can the interest charged on my loan principal be deducted for tax purposes?

The interest accrues and is sometimes deductible when the loan balance and interest is repaid. For your specific situation, please consult your tax advisor.

What is a Counseling Certificate?

Before the reverse mortgage application is completed, you are required to meet with an independent, approved, reverse mortgage counselor. This free counseling session will help you determine whether a reverse mortgage is right for you. The session can be done either in person or on the telephone. At the end of the meeting, you will receive a Certificate of Borrower Counseling.



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Report Will Push Reverse Loans for Senior Services

By Marilyn Kennedy Melia

Until now, the typical [reverse mortgage] borrower has been a poor senior who is single and has no other significant assets besides his or her home value, explains Don Redfoot, senior policy adviser with AARP. These seniors want to stay in their homes and need money to pay for basic living expenses.

However; Stucki says that reverse mortgages could play an important role in helping more affluent seniors pay for services and improvements in their homes, such as adding bathroom grab bars, which would help keep them accident-free and healthy.

“reverse mortgages have a real potential to help seniors who have enough money to live comfortably but not enough to pay for services that could let them stay in their home, healthier and safer longer,” Stucki says.

Real Estate Section, Chicago Tribune Sunday, May 23, 2004

Elderly Remain Skeptical About Reverse Mortgages

By Kelly Greene

Two hundred homeowners, half in the 65-plus age group and half between the ages of 35 to 60 with older parents, were interviewed last year. The survey has a 10 percentage point margin of error.

“It shows what those of us dealing with this in our own families already know—that the majority of adult children care more about the quality of life of their parents than they do about their inheritance,” says Jay Greenberg, the group’s executive vice president.

Wall Street Journal

Older Americans turn to reverse mortgages

By Anne Thompson

Available only to those 62 and older, reverse mortgages are used by more and more retirees to enhance their lifestyles or make ends meet, like 77 year-old Peggy Gysel. “I could just barely keep up,” she says.

Gysel’s mortgage consumed most of her Social Security check. But using a reverse mortgage, she paid off her Redford, Michigan home and established a line of credit. And that has made quite a difference in her life.

“I’m much more relaxed,” she says. “I can sleep at night.”

NARF February 2004

MSNBC.com February 28, 2005

Reverse Mortgages Are Viewed As Way to Fund Care of Elderly

By Kelly Greene

The demand for in-home help often precedes—and may prevent—more serious needs requiring nursing home care, said Barbara Stucki, a consultant in Bend, Ore., who is heading the aging council’s project.

“Right now, there’s no funding mechanism at all that exists to help people deal with these little problems,” such as the inability to walk up a flight of stairs, pay bills or carry groceries, she said. “The idea is that we can use a reverse mortgage to start addressing long-term care needs so...impairments don’t actually become disabilities.”

Wall Street Journal

Put Gold Back in the Golden Years

By James P. Ruth, CFP

Under the right circumstances, though, REMs can make a lot of sense for some home owners. Having an extra stream of income every month might help ease a cash-flow crunch or allow for an occasional splurge.

If you don’t need the monthly income payments, just having a line of credit as a back-stop against future financial emergencies could be very comforting.

Living Large on a Mortgage of Last Resort

By Kelly Greene

...this is a far cry from just a few years ago when reverse mortgages were generally considered loans of last resort for seniors to avoid foreclosure, make necessary home repairs, or simply cover living expenses, such as prescription drugs. “The product has evolved from needs-based reasons” to funding people’s wants,” says James Mahoney, chief executive officer of Irvine, California based Financial Freedom Senior Funding Corp., one of the largest U.S. reverse-mortgage purveyors and a unit of IndyMac Bancorp, Inc.

Wall Street Journal Tuesday, April 25, 2005



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