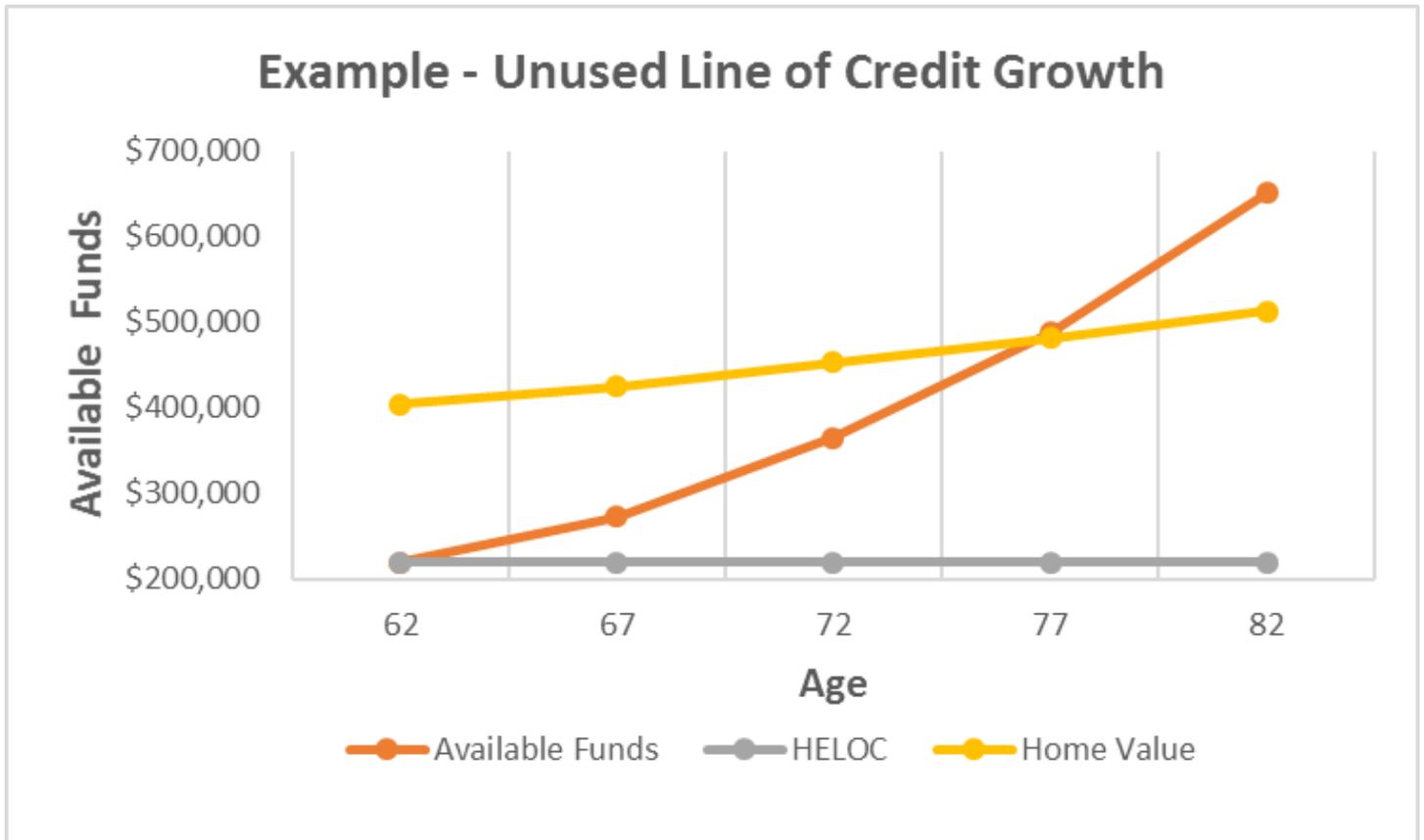


HECM vs. HELOC

Home Equity Conversion Mortgage (HECM) is a very attractive alternative to a traditional Home Equity Loan or a Home Equity Line of Credit (HELOC).

| FEATURE | HECM LOC* | HELOC |
|---|-----------|-------|
| Home equity converted into easily accessible LOC | √ | √ |
| Can repay loan at any time | √ | √ |
| Option for Federally-guaranteed monthly cash flow that will pay until last borrower leaves home <i>Only a HECM can provide a Tenure Annuity payment option.</i> | √ | No |
| No required principal and interest payments over entire life of loan <i>A traditional HELOC requires payments after Initial Period and failure to pay may impact your credit score. HECM has optional repayment with no impact to credit score.</i> | √ | No |
| Guaranteed availability of funds <i>Lenders of traditional HELOC can decide not to extend credit if personal financial situation deteriorates or property drops in value.</i> | √ | No |
| Increasing line of credit <i>Unused portion of HECM LOC grows annually, increasing amount available. Traditional HELOCs do not have this growth feature.</i> | √ | No |
| Non-recourse loan <i>HELOCs are not non-recourse loans, so borrowers or their estates can be liable for any deficits left over after collateral is sold. With a HECM, borrowers or estate can never owe more on the line of credit than the home is currently worth.</i> | √ | No |

*All the features and benefits of a HECM LOC are available provided the borrowers (as with any home loan) continue to meet and pay the property taxes, homeowners insurance, property maintenance and other related property charges required.



The unused portion of a line of a HECM's line of credit grows annually at the loan rate of interest plus the 1.25% mortgage insurance premium. This growth occurs regardless of any subsequent home value (your home can go down in value but will not impact the growth factor). The earlier you establish a HECM line of credit, and leave it fully or partially unused, the larger the available funds in future years.

The information shown above is illustrative only. It assumes a 62-year-old borrower with a life expectancy of 21 years, with a home valued at \$400,000 and no mortgage, securing a reverse mortgage loan line of credit (LOC). The borrower's loan is charged a margin of 3% over the annual LIBOR index of 1.59% (as of November 2016) for a total interest charge of 4.49%. If unused, the LOC, or any portion of it, will grow at the rate of interest that would have been charged on the line plus 1.25% annual mortgage insurance, or a total growth rate of 5.74%. The loan carries a maximum interest rate of 9.39%, and interest rates may change annually. In this example, the borrower qualified for an initial LOC of \$220,000, and received a credit from the lender to pay all closing costs in exchange for a monthly service charge, which funding is set-aside and not available to the borrower. The LOC, if unused will grow to \$273,083 by age 67, \$364,864 by age 72, and \$651,335 by age 82, assuming interest rates do not change.

The property value is assumed to increase 1.25% annually through the life of the loan. The chart above demonstrates that it is possible the available LOC can grow over time beyond the then possible current value of the home. Under the current FHA HECM program, the full amount of the LOC is available to the borrower despite the possibility that in the future the LOC can exceed the value of the home. This is illustrative only and potential borrowers should not assume or rely on the available LOC exceeding the value of the property in the future.

CONTACT ME

If you would like to discuss the HECM product and how it could help you, please call or email me, or visit www.jmcapitalreverse.com for more information.

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Registered New York Broker – All mortgage loans arranged with third party providers

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