Smart Homeowners, 62 and Older, are Using A

HOME EQUITY CONVERSION MORTGAGE LINE OF CREDIT

as an excellent alternative to HELOCs

Home Equity Conversion Mortgages can be used for virtually anything, and are especially favorable when compared to Home Equity Lines of Credit!

- Improve monthly cashflow
- Age in place
- Update home for handicap accessibility
- Create a non-cancellable line of credit*
- Protect your investment portfolio and hedge against home devaluation in a down market
- Use LOC as buffer asset instead of cash

HECMs were created specifically for senior home-owners, 62 years and older, who want to convert part of their home's equity into loan proceeds. Learn more about why HECMs are becoming a popular option to supplement retirement, to purchase a new home without monthly payments and, now, one of the most important financial planning tools in a senior's arsenal.

What are the Differences Between HECM LOC and a HELOC?

	Home Equity Conversion Mortgage Line of Credit (HECM LOC)	Home Equity Line of Credit (HELOC)
Draws	All at once, when wanted, set amount per month, term, tenure or combination	Lump sum or flexible Line of Credit
Homeownership	Borrower retains ownership	Borrower retains ownership
Call Provisions (Forced repayment)	**Bank cannot call** (or freeze) while borrower is not in default via loan terms similar to "regular" forward mortgages.*	Bank can call if borrower's financial condition degrades, or home value drops
Available LOC Balance	**Grows for life of loan** at same rate as is charged on the outstanding loan balance. Guaranteed by FHA and HUD*	No growth provision, available balance is set at loan closing
Personal Guarantee	**Home is sole collateral**. Borrower nor heirs are personally liable for repayment.* If equity remains, heirs have up to 12 months to repay. If ending loan balance is greater than home value, heirs may walk away or purchase for 95% of appraisal.	Full personal guarantee. If in default lender can foreclose to collect balance from home sale and other personal assets
Repayment	Loan is due at time last living borrower vacates home, subject to repayment period above.*	Interest only payable currently, loan then repaid according to term and loan documentation, usually starting in 10^{th} year to maturity in 20^{th} or 30^{th} year
Prepayment Penalty	None, borrower may pay down anytime	Can have prepayment penalties
Loan Balance can Exceed Home Value	**Government guaranteed, funds available for draw can exceed home value** without personal guarantee*	No. If Loan to Value is too high, lender can call loan due

*As long as you live in your home as your primary residence, maintain the home and keep current taxes, insurance and other property costs. Counseling by independent third party, FHA approved counselor is required to ensure consumer's knowledge of program costs and other possible options. Information is subject to change without notice. Not every borrower will qualify. Non-callable, non-recourse provisions per HUD 24 CFR Sec 206.27(b) (8)-(9) and (c)(1)-(2). Growth in Line of Credit available for draw per HUD 24 CFR Sec 206.25(g)

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