

All Island Mortgage & Funding Corp.

"The Reverse Mortgage Specialist"

***** Reverse Mortgage Consumer Guide *****



All Island Mortgage & Funding Corp.

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New York, New Jersey, Florida, Connecticut, Montana, Pennsylvania, Washington, Alaska, Texas, Colorado, Maine, South Carolina, California # 60DBO60105, Idaho, New Mexico, Arizona, Iowa, Mississippi, Oregon, Ohio, Georgia

Registered Mortgage Broker- Dept. of Financial Services-Loans arranged through Third party Providers "This material is not from HUD or FHA and has not been approved by HUD or a government agency"



Why All Island Mortgage & Funding Corp?

All Island Mortgage & Funding Corp. NMLS 3740- A family owned and operated mortgage brokering business. Established in 1989, we service all of New York, New Jersey, Florida, Montana, Connecticut, Pennsylvania, Washington, Alaska, California, Texas, Colorado, Maine, South Carolina, Idaho, New Mexico, Arizona, Iowa, Mississippi, Oregon, Ohio, Georgia.

All Island Mortgage has established a reputation in the mortgage industry that has placed us with many banking institutions as their "best broker" to deal with.

We look at every clients' situation individually. We pride ourselves on being honest, professional, and extremely knowledgeable with all our loan products. There are never any surprises in dealing with All Island Mortgage.

We totally understand the needs of our senior citizens and are here to help in any way we can. You will never deal with a maze of people. One Reverse Mortgage Specialist will be assigned to you from application to closing. Many of our clients remark on how pleasant and smooth the entire process was.

All Island Mortgage & Funding Corp. is a member of National Reverse Mortgage Lenders Association. We are obligated to adhere to a strict code of conduct.

The entire "code of conduct" is in the back of this booklet.

If you're considering a Reverse mortgage now or in the future, we at All Island Mortgage & Funding Corp. would be very grateful for the opportunity to serve you.

"In all thy ways acknowledge the Lord, and he shall direct thy paths"



Introduction to Reverse Mortgages:

New Ways for Homeowners to Enjoy Financial Security while Staying in the Comfort of their Home

- You can live your retirement years to the fullest with a Reverse mortgage. All Island Mortgage & Funding Corp. offers seniors a choice of Reverse mortgage products that allow you to access a portion of the equity in your home and use the tax free funds however you choose (consult a tax advisor). You can continue to live in your home with no monthly mortgage payments at all.

Enjoy Retirement with Stability, Security and Flexibility

**Designed for homeowners aged 62 and older, a Reverse mortgage lets you:*

- Access a portion of your home's equity whenever you need it and use it for whatever you choose. You can eliminate existing monthly mortgage payments, cover health care expenses, and supplement your income or fund grandchildren's college education. **IT'S YOUR MONEY, YOU DECIDE.**
- Continue to live in your home without ever making a monthly mortgage payment again.
- Retain Title to your home.
- **NEVER** any risk of foreclosure due to mortgage payments. There is a risk of foreclosure if you do not keep up with property taxes and homeowners insurance.
- Finance the loan's fees. The only out of pocket expense is the counseling & appraisal fees, due at time of ordering. In some cases this fee can be collected at closing.
- Choose how to receive funds - Lump Sum, Monthly Installments, a Line of Credit, or a combination of these options.
- Get additional funds with an annual credit line increase (amount varies by product).
- Buy a new home without having to make monthly payments.
- Help your children to obtain a home of their own by assisting them with the down payment from a Reverse Mortgage on your home.
- Take those vacations that you always longed to do and not worry about any credit card bills that people normally charge vacations on.
- Do those needed home improvements on your home; add an extension, or a new kitchen.

Our Promise:

At All Island Mortgage & Funding Corp., we're committed to finding the right solution for our customers and their families. That means making sure you get the facts about all there is to know about the Reverse Mortgage products so you can decide what's right for you.

To learn more, we invite you to read this entire guide and then contact a Reverse Mortgage Specialist at All Island Mortgage & Funding Corp. for additional information and to answer any and all questions you may have.

Eligibility for a Reverse Mortgage:

- One borrower must be 62 or older, the spouse can be under 62. There are some concerns regarding credit and income. Non FHA Jumbo Reverse Mortgages, the age minimum is 60 Years of age.
- You must have equity in your home.
- Your home is fully owned without an existing mortgage balance, or you plan to pay the existing mortgage balance off at the closing. You can choose to pay off the balance with funds from the Reverse mortgage or another source.
- Your home must be a single family home, a 2-4 unit multifamily home, a condominium, a planned unit development (PUD), or a modular home. We no longer do mobile homes.
- Income must be fully documented for all borrowers.

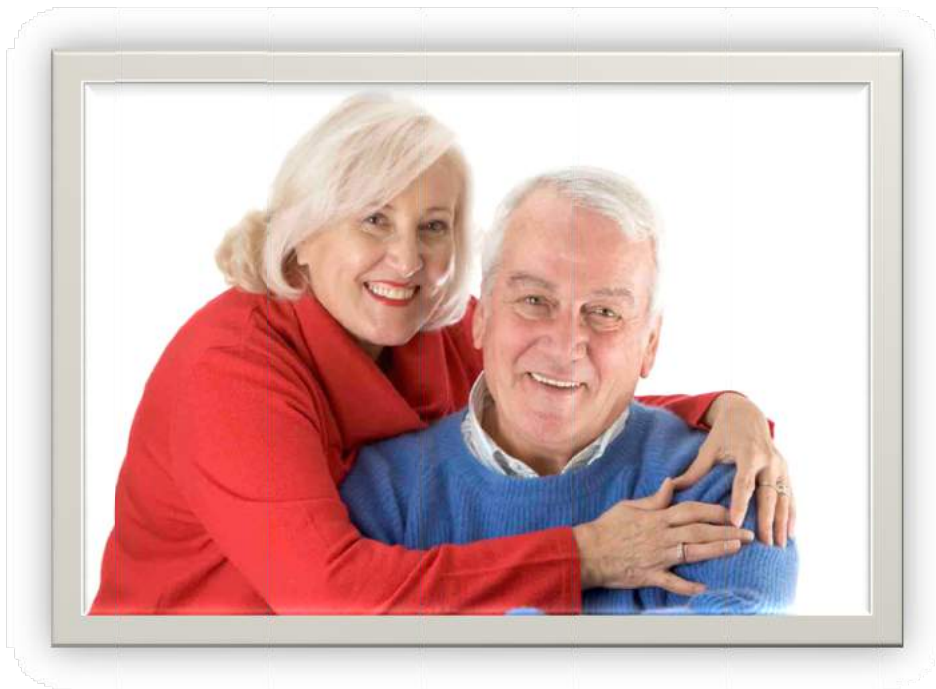
Difference between a Reverse Mortgage and a Home Equity loan:

Generally home equity loans have strict requirements for income and creditworthiness. Also, with traditional loans you must still make monthly payments to repay the loan. A reverse mortgage has no monthly payment requirements and instead of making monthly payments, you receive them. Also, with a reverse mortgage you cannot be forced to foreclose or forced to vacate your home because of a missed mortgage payment.

Also if you pass away having a traditional mortgage the bank will expect to get paid in full immediately. With a reverse mortgage the estate has approximately 12 months to repay the balance of the loan either by selling the property or refinancing the property.

Realizing the Potential of a Reverse Mortgage:

- A Reverse mortgage gives you the freedom to use the funds how you want - you decide.
- Pay off existing debt and eliminate monthly mortgage payments (see example below).
- Pay for medical care, prescriptions and in-home health care.
- Purchase a new home for yourself with only a down payment.
- Supplement your income.
- Modify your home for better accessibility.



Consider this example:

Anthony and Ceil took out a first mortgage in 1985 to purchase a new home. When they retired in 2005, they still owed \$50,000 on their mortgage. Property taxes were starting to increase significantly in their hometown, and with their income stream now reduced, housing cost were starting to become a burden. Anthony, now age 70, and Ceil 65, very much wanted to stay in their home, but weren't sure how to do so financially.

Intrigued by a mailing from All Island Mortgage & Funding Corp. they got in touch with Kevin, a Reverse Mortgage Specialist. Kevin spoke to Anthony, Ceil and their children, and presented a Reverse mortgage product as an option:

The current value of their home was \$350,000.

Owing \$50,000 on their mortgage, they had \$300,000 in equity.

Based on Anthony and Ceil's age and current interest rates, Kevin determined that with a Reverse mortgage, they qualify for a \$155,400 credit limit. Here is how they chose to use their funds:

\$8,673 in product fees and closing cost were financed, leaving Anthony and Ceil without any out of pocket expenses.

\$50,000 paid off their mortgage balance, thereby eliminating their monthly mortgage payment. \$25,000 was used to remodel their home. Anthony and Ceil have \$71,727 available as a line of credit to draw upon from time to time.

For as long as they live in the home. Thanks to their Reverse Mortgage Specialist, Anthony and Ceil are able to enjoy a comfortable, worry-free retirement in their home.



Cover Medical Expenses:

Consider this Example:

Dave and Maria's father, Joe, has emphysema. They wanted Joe, age 75, to be cared for in his home and stay in his home for as long as possible. However, they were not sure how to cover the high cost of in-home care. They heard about Reverse mortgages and researched many products. After learning about Reverse mortgage programs and speaking to a Reverse Mortgage Specialist at All Island Mortgage & Funding Corp., they decided this was the best option for Joe. Here is how a Reverse mortgage worked for the family.

Joe's home was paid for and valued at \$200,000.

Given Joe's age and current interest rates, we determined that he qualified for an initial available principal limit of \$101,000 with a Reverse mortgage.

After all closing cost were deducted from the loan amount, Joe was able to receive \$562.00 in monthly payments for the rest of his life. This covered his in-home care as well as living expenses.

It's a tremendous relief for Dave and Maria that their father can receive quality in-home care for as long as possible.



Consider this example

Mrs. Elsie Carlson resides in Valley Stream, New York. She has lived there for many years, building her life and raising her children. Her eldest son contacted All Island Mortgage and requested some much needed advice. He explained that his mom was now 92 years old and living alone. He and his siblings did not want their mom in a nursing home, and Mrs. Carlson cringed at the idea of leaving all that she had built in that house. She did not want to go into a nursing home. He went on to say that his mom is assisted by in-home health care professionals that come to her home for a certain amount of hours every day. As a result of this, Mrs. Carlsons' savings had run low. Her income consisted of a small pension and Social Security check each month. "Mom needs over \$6,000 per month to keep her in-home health care continuing" he stated, "So my siblings and I help as much as we can". After we learned and understood the situation, we suggested that a reverse mortgage would allow mom to continue her present lifestyle without the children having to pay money each month. One great aspect of a reverse mortgage is that a borrower can indicate how much money they need each month and that figure can be accommodated. We were able to get Mrs. Carlson over \$4,400 each month for a specified amount of years, as per her request. Her Pension and Social Security made up the difference. She was delighted and the children were at ease knowing mom was in her home and content.

A reverse mortgage can be tailored to a person's individual needs. If you need any questions answered on how a reverse mortgage can help you or any of your family please don't hesitate to call a reverse mortgage specialist at All Island Mortgage. We welcome all your questions.

An overview of our Reverse Mortgage Products

Because all seniors have individual financial needs, All Island Mortgage & Funding Corp. offer a choice of solutions within our Reverse Mortgage product line:

- Home Equity Conversion Mortgage (HECM) Fixed
- Home Equity Conversion Mortgage (HECM) Adjustable

Jumbo NON FHA Reverse mortgages are now available for NON FHA approved Condos, Single and two family homes in CO, CT, NJ,CA,PA,TX,WA, Florida & New York. Fixed rate only and a maximum loan amount of \$4,000,000. With little to zero closing cost.

Fixed HECM: and The One Year Fixed Libor

A fixed Home Equity Conversion Mortgage is a Reverse Mortgage that is at a fixed rate for the entire length of the loan. The rate you close with will stay with you forever. This fixed reverse will give you the highest amount of available funds possible. You may use this Reverse mortgage only three ways:

- The first way is to take a lump sum at the closing.
- The second way is to use the funds for a home purchase.
- The third way is the one year fixed libor loan. The rate is fixed for the first year then the balance can be taken after the first year, or remain in a credit line, or taken with monthly payments. This loan also has the lowest lifetime cap.

A One Year Fixed Libor:

The One Year Fixed Libor is an adjustable rate reverse mortgage. The rate is fixed for the first year. Then your loan may adjust up or down once a year based on the one year libor index. The best highlight of this loan is the maximum cap in rate is 5% above the initial start rate.

Home Equity Conversion Mortgage (HECM) Adjustable

Both fixed and adjustable HECM Reverse Mortgages are insured by the Federal Housing Administration, FHA. You may want to consider an adjustable HECM product if:

- You want the ability to set aside some of the funds from your HECM to make repairs to your home.
- You would prefer a monthly adjustable rate.
- You would like the ability to access additional funds each month. You can with our principal limit increase feature. Once the outstanding balance equals the loan limit, no further withdrawals can be made.

Principal Limit Increase = Current loan interest rate + the annual rate of the MIP FHA rate. For example: If your current interest rate is 3.0% on your loan and the MIP FHA rate is 1.25% then the principal growth rate of your credit line will be 4.25%. Each year your credit line will grow with more available funds for you to access.

- You want the ability to refinance your existing HECM to access additional funds with a reduced up-front mortgage insurance premium.
- You want regular cash monthly installments for the life of the borrower(s), as long as they live in the home, this is known as a "tenure" payment plan, or monthly installments for a fixed number of months, this is known as a "term" payment plan. With a term plan, YOU choose how many months you would like to receive monthly cash installments.

Financial Assessment as of April 27th 2015

- All Reverse mortgage applications as of April 27th 2015 will now be subject to a financial assessment evaluation. Income and credit history will now play a major role in qualifying potential borrowers.
- FHA will now be looking closely at the monthly income of the household as well as how the monthly payments have been made on mortgages, installment loans, and how the property taxes have been paid over the last couple of years.
- All Income for all borrowers now MUST be fully documented. Which includes but not limited to the following: Pay stubs, W2's, Social Security award letters, bank statements showing automatic deposits, tax returns, canceled checks, etc.....
- Having accurate figures of all your income and all your assets at the time of application is now extremely important.
- If it is determined that the credit and/or the income is not sufficient for FHA there are two outcomes.
- One outcome is for FHA to totally reject the loan until the credit and/or income gets better. The other scenario is that a set aside for property taxes and insurance is established by the bank. So instead of rejecting the loan altogether FHA will establish an amount to have set aside from your credit line that can only be used for taxes and insurance. So for example if your credit line is \$125,000 based on your age and home value and FHA states that a set aside of \$60,000 is necessary for taxes and insurance then your usable credit line will be \$65,000. The set aside amount will not be used for personal use. Each time the taxes are due FHA will either pay the taxes on your behalf or send you the necessary amount to make the payment yourself. The method of payment will be determined by the bank underwriter.

New York Guidelines as of March 5th 2020

Once a reverse mortgage application has been signed there must be a three day cooling off period before an FHA case number can be ordered. Also the appraisal and title report will not be able to be ordered until the end of the three day period.

The counseling affidavit now has to be notarized. We can do this by a system called notary on line right in your home so you will not have to leave your home.

You are now required to have an attorney present when you close. We always close reverse mortgages in your home. If you do not have an attorney All Island will try and supply you with a list to choose from.

Once the loan approval has been signed there is another cooling off period before closing.

Please note these changes are for New York Loans Only.

Choose among Several Access Options:

With a Reverse mortgage, you'll have the flexibility to choose from one or a combination of these convenient options:

- 1- Lump Sum - Immediately withdraw all or part of your available credit.
- 2 - Monthly Installments - Receive regular cash payments in the amount you choose.
- 3 - Line of Credit - Withdraw funds when you need them.

** Lender can't cancel: Unlike a home equity line of credit, the proceeds can't be frozen or canceled.*

Or you can use a combination of all three options listed above. You may also receive a check by mail or transfer funds wired via direct deposit into a checking or savings account.

Your Responsibilities As A Borrower:

When you obtain a Reverse Mortgage, you still **OWN** your home. This means you must continue to pay for real estate taxes and maintain an acceptable amount of property insurance, including flood and hazard insurance where necessary. Additionally, you are responsible for the general maintenance and upkeep of your home. If you wish, you can pay for these expenses with the funds from your Reverse mortgage.

Potential Impacts to Taxes and Government Aid:

It is important to understand how a Reverse mortgage may affect your tax status and/or your eligibility for government aid programs. Also, your eligibility to participate in any real estate tax deferral program offered by your city or county may be impacted.

This table shows how a Reverse mortgage impacts certain taxes and government aid programs:

Property Taxes - When you get a Reverse mortgage, you still own your home and are still responsible for all property tax payments. You may use the proceeds from a Reverse mortgage to help make these payments. It is very important that you keep your taxes current because the loan may become due if they are not paid.

(Continued on next page)

Government Aid Programs - Reverse mortgages do NOT affect entitlement programs such as Medicare. Nor does it affect your Social Security benefits. However, certain need-based government aid programs, such as Supplemental Security Income (SSI) and Medicaid may be affected. Your Reverse Mortgage Specialist from All Island Mortgage & Funding Corp. will assist you in these areas.

Insurance - Since you own your home, you continue to be responsible for maintaining an acceptable amount of property insurance, including flood and hazard insurance, where necessary.

For additional information about your specific situation, we recommend contacting a tax professional.

Understanding Loan Maturity and Repayment

With a Reverse mortgage you do not have to make any Reverse mortgages payments as long as you live in your home. There are some circumstances that will cause the loan balance to become due and payable. The most common events are (but are not limited to):

- The last remaining borrower sells the home.
- The last remaining borrower passes away.
- The borrower fails to live in the home for more than 12 consecutive months.

Other events that would cause the loan to become due include:

- The borrower transfers title to another person or entity.
- The borrower fails to pay property taxes.
- The borrower fails to maintain and / or repair the home.
- The borrower fails to keep the home insured.

Loan Amount Owed:

When the loan balance becomes due and payable, your home will be re-appraised to determine its current market value. Based on the appraised market value and the outstanding loan balance, two scenarios are possible:

- **The loan balance is less than the appraised home value:**
If the loan balance is less than the appraised home value, you or your heirs only owe the loan balance. So, if you sell your house, you or your heirs keep the difference between the appraised home value and the loan balance, less sales cost.
- **The loan balance is greater than the appraised home value:** If the loan balance is greater than the appraised home value, you or your heirs owe the appraised home value, but nothing more. The bank will cover the remaining difference between the loan balance and appraised value.

This is because a Reverse mortgage is a non-recourse loan, and only the real estate that was mortgaged is the one and only asset the bank can attach. No personal assets are ever reviewed.



Paying Off Your Loan Balance:

There are three basic ways to pay off the balance of the Reverse mortgage.

- Sell the home and use the proceeds from the sale.
- Use other sources of funding such as, checking or savings accounts, investment and brokerage funds, sale of other real estate assets.
- A new refinance originated by the heirs of the estate.

A Reverse mortgage lets you make payments on all or part of the loan balance at any time.

There are no pre - payment penalties associated with a Reverse mortgage at any time.

Fees Associated With a Reverse Mortgage

There are fees associated with Reverse mortgage products, many of which are similar to those you would pay for a first mortgage. All of the fees except the appraisal fee can be financed with the loan, so you'll have minimal out-of-pocket expenses. Fees can vary, depending on which Reverse mortgage you choose. Below is a summary of the types of fees.

Origination Fee - A fee paid for originating the loan, processing all the required documents, ordering the appraisal, credit, and title reports, along with obtaining all required FHA searches. This fee is part of the closing cost when the loan closes.

Counseling Fee - A fee used to cover the cost associated with the borrower(s) / titleholder(s) attending counseling. The borrower is required to attend counseling; this is normally done by phone and takes about 20 to 30 minutes. The counseling is required by FHA and it's to ensure the borrower(s) understand how a Reverse mortgage works and to determine if it is the right solution to meet their needs. All counseling is performed by an independent FHA approved counselor. A list of counseling agencies is printed on page 21.

Closing Cost - The total cost of obtaining a reverse mortgage, paid at closing, these fees include: Origination fee, title insurance, credit report fee, settlement agent's fee, bank fees, title searches, and may include appraisal and counseling fees (if not paid prior). *******NOTE*******

As of October 1st 2018 FHA has instituted a risk assessment on ALL FHA appraisals. This assessment will be performed by FHA. In cases where they feel necessary they will demand a second appraisal be performed on the property. They will also take the lower of the two appraisals as the true value. This is a Nationwide rule as of October 1st.

Servicing Fee - A fee used to cover the cost of servicing the loan - cost may include monthly statements, insurance and tax verification, periodic property maintenance inspections and processing of your withdrawals and other request. This is a small monthly fee and is added to your principal balance. This is done automatically

by the bank. This fee is usually \$30 per month. As of March 17th, 2010 the servicing fee has been eliminated, thus allowing our clients to receive more available funds over other banks.

Mortgage Insurance - The borrower will be charged mortgage insurance premiums (MIP) to reduce the risk of loss in the event that the outstanding balance, including accrued interest, MIP, and fees exceeds the value of the property at the time that the mortgage is due and payable. This fee is paid directly to FHA at the closing from proceeds. The fee as of October 2nd is 2% of the appraised value.



Interest Rates:

- Fixed interest rates are established by the bank each day depending on the market conditions on a particular day.
 - An adjustable rate varies, based on the changes in a published market - rate index. Rates for adjustable Reverse mortgages are established three ways.
 - LIBOR (London Interbank Offered Rate) plus a margin, which adjusts monthly with your statement's cycle.
 - The Constant Maturity Treasury (CMT) Index plus a margin, which adjust monthly.
 - The Constant Maturity Treasury (CMT) Index plus a margin which adjust annually.
- * Interest will accrue on any funds that you borrow and any fees that you finance. A Reverse Mortgage Specialist from All Island Mortgage & Funding Corp. can give you the most current rate information and further explain rates and fees associated with a Reverse mortgage product.*

Common Myths About Reverse Mortgages

1. “A reverse mortgage sells the home to the bank”

False! Lenders are not in the business of owning homes -- they wish to make loans and earn interest. The homeowner keeps the title to the home in their name. What the lender does is add a lien onto the title for the amount that is borrowed so that the lender can guarantee that it will eventually get paid back the money it lends.

2. “Heirs will not inherit the home”

False! The estate inherits the home as usual but there will be a lien on the title for the balance of the reverse mortgage. The balance is whatever proceeds were received from the reverse mortgage plus interest.

For example, let's assume someone takes out a reverse mortgage and owes \$50,000 after 5 years. Then the homeowner passes away and the estate sells the house for \$250,000. The lender gets \$50,000 and the estate inherits \$200,000.

A reverse mortgage is a "non-recourse" loan which means the only asset guaranteeing the loan is the property itself. If the property value is less than the balance of the reverse mortgage, the lender cannot request other assets from the estate and must make an insurance claim for the loss to the FHA.

3. “The homeowner could get forced out of the home”

FALSE! The FHA reverse mortgage was created specifically to allow seniors to live in their home for the rest of their lives. Because the homeowner receives payments from a reverse mortgage instead of making payments to a lender, the homeowner can never be evicted or foreclosed on for non-payment. *They do run a risk of foreclosure for non payment of property taxes and insurance.*

4. “Someone can outlive a reverse mortgage”

False! The reverse mortgage becomes due when all homeowners have permanently moved out of the property or passed away. There is no time limit.

5. “Social Security and Medicare will be affected”

False! Government entitlement programs such as Social Security and Medicare are not affected by a reverse mortgage. However, need-based programs such as Medicaid can be affected. To remain eligible for Medicaid, the homeowner needs to manage how much is withdrawn from the reverse mortgage in one month to ensure they do not exceed the Medicaid limits.

6. “The homeowner pays taxes on a reverse mortgage”

False! The proceeds from a reverse mortgage are not considered income and are not taxable. Furthermore, the interest on reverse mortgage is tax deductible when it is repaid.

This is not tax advice, please consult a tax professional.

7. “There are large out-of-pocket expenses”

False! Typically the only out-of-pocket expenses are the cost of the counseling and the appraisal. In many cases the counseling fee may be paid from the proceeds. But the appraisal fee must be paid when it is ordered.

8. “A reverse mortgage is similar to a home equity loan”

False! The only similarity between a reverse mortgage and a home equity loan is, both use the home's equity as collateral. Any homeowner can apply for a home equity loan. A homeowner must be age 62 to apply for a reverse mortgage. A home equity loan must be repaid in monthly payments. A reverse mortgage is not paid back until the homeowner moves out of the property or passes away.

9. “I'm over 80 years old, I'm not eligible”

False! There is NO age limit on a borrower who desires to take out a reverse mortgage. But you must be a minimum age of 62 years old at the time of closing.

“Is A Reverse Mortgage Right For Me?”

In this guide, we've explained the benefits of a Reverse mortgage. However, we encourage you to assess your current and future situation to determine your needs and then research all possible solutions.

When a Reverse Mortgage May Not Be The Best Solution:

It is important to understand situations in which a Reverse mortgage may not be the best solution for your needs. Here are some reasons why a Reverse mortgage may not be right for you:

- You are considering moving within a few years.
- If one of the titleholders is under the age of 62. You may remove the younger person off the title so the reverse mortgage may be obtained. It is advised however to speak to an attorney regarding this decision.

Discuss Your Decision With Your Family:

As you gather information, All Island Mortgage recommends discussing your decision with your family, especially your heirs and other close relatives. Below are a few topics that you may want to discuss:

- Staying in your home.
- Maintaining financial independence.
- Loan repayment requirements.
- Estate planning and inheritance.
- Impact on government benefits.

Discuss Reverse Mortgage Products With Professionals and Advisors:

When considering a Reverse mortgage, it may be helpful to speak with professionals about this type of loan. They can advise you on income taxes, tax deductions, capital gains tax, property tax, estate planning, tax planning, retirement planning, investing, and asset allocation. Such advisors are accountants, attorneys, and financial planners.

Understanding the Application Process

“We're with You Every Step of the Way!”

Application Process:

Your Reverse mortgage specialist will be with you at every step of the application process.

Start to Finish...Here's what to expect:

(1.) Request (2.) Pre Counseling Disclosures (3.) Counseling (4.) Appraisal (5.) Application (6.) Loan Closing (7.) Funding

REQUEST: Before you apply, it is important to discuss Reverse mortgage products with a Reverse Mortgage Specialist, family, friends, and advisors. Once you have determined that a Reverse mortgage fits your needs, you will notify the loan officer and request counseling.

PRE COUNSELING DISCLOSURES: Mandatory FHA disclosures to be given to all applicants prior to scheduling a counseling session.

COUNSELING: Next, you will speak with an independent, third-party counselor (not an All Island Mortgage associate), who will make sure you understand how Reverse mortgage products work as well as your other alternatives. All Island Mortgage will assist you with a list of counseling agencies to choose from. This session typically last at least 30 minutes and may be conducted in person or over the phone. There is a fee for the counseling. This fee must be paid at the time of counseling.

APPRAISAL: An appraiser will visit your home and assess its exterior and interior condition, as well as compare the property to other homes recently sold in your area. The cost of the appraisal is part of the third-party vendor closing cost. This cost must be paid prior to the appraisal being performed, either by credit card or personal check. Please ask your All Island Mortgage representative for the actual fee of the appraisal. Once complete, your Reverse Mortgage Specialist will provide you with your appraised home value and the amount of the funds you are eligible to receive. The Reverse Mortgage Specialist will then sit with you and explain all the application documents needed to be signed.

Application: After you complete the counseling session and your counselor has issued a certificate of counseling, your Reverse Mortgage Specialist will contact you to confirm that you want to move forward with the application process. If you decide to continue, your request will become an application. At this point, all of the documentation will be ordered, such as an appraisal, title report, and flood hazard determination. You will need to provide proof of date of birth, proof of your social security #, copy of your homeowners insurance policy, and the name and account number of your existing mortgage to be paid off (if necessary).

All mortgages and liens against the property must be paid in full from the loan proceeds.

Loan Closing: Once all the conditions (if any) have been cleared a closing date and location will be scheduled. Many Reverse mortgage closings take place in the comfort of the borrowers' home. After all the documents have been signed, you have three business days to cancel the loan should you decide to do so.

Please note: Property taxes due within 60 days of closing must be paid at the closing. If a new bill is not available the title company will use the present amount and escrow an additional amount to cover any increase. Then when the new bill is available the title company will pay it on your behalf and if there are funds left over they will send you a refund.

Also the homeowners insurance must be paid at least for 60 days beyond the closing date. In some cases we will ask the insurance company to send an invoice to cover this period.

Funding: After the completion of a three-business day right-to-cancel period, you can receive the funds you requested. Additionally, your Reverse Mortgage Specialist will discuss the different ways you will be able to access your funds in the future. You also will begin to receive a monthly statement in the mail.

We're Always at Your Side: We want you to know that our commitment to providing you with outstanding customer service does not end when the application process is completed. Your Reverse Mortgage Specialist will always be available for you at any time.



Frequently Asked Questions:

Q: What is a reverse mortgage?

A: A reverse mortgage is a loan that allows you to convert a portion of your home's equity and use the tax-free funds however you choose (please consult a tax advisor). With this type of loan, you always retain the title to your home and no repayment is required until the loan is due. The loan becomes due when the last borrower(s) permanently leaves the home or another maturity event occurs.

Q: Can anyone get a reverse mortgage?

A: No. To be eligible for a reverse mortgage product, one borrower(s) must be titleholder(s) of the property and age 62 or older and the property must be your primary residence.

Q: Does my credit score or income influence my eligibility?

A: YES. As of April 27th 2015 All Reverse mortgage applicants are subject to full income check documentation and credit requirements.

Q: How much of my home's equity can I access with a reverse mortgage?

A: Loan amounts vary based on the reverse mortgage product chosen, your age(s) as the borrower(s), the appraised value of the home and the current interest rates. Generally, the more valuable your home is and the older you are, the more money you can borrow.

Q: How can I use the funds I receive?

A: You can use the funds for anything you choose, such as home improvements, medical expenses (including in-home care), a new car, a new boat, a second home, helping you children with their finances, the possibilities are many, it's all up to you.

Q: What if I have an existing mortgage?

A: You may be eligible for a reverse mortgage product even if you still have an existing balance on your mortgage. However, the existing mortgage balance must be paid off at closing. You can choose to pay off the balance with the funds from the reverse mortgage or another source.

Q: Will I still own my home?

A: YES. You will always retain the title until your home is sold. The bank **NEVER** takes title to your home, **NEVER**.

You run a risk of foreclosure if property taxes and homeowners insurance are not paid

Q: When will the loan become due?

A: Circumstances that will cause the loan to become due include, but are not limited to - the last surviving borrower(s) permanently moves out of the home or passes away, the last remaining borrower(s) fails to live in the home for 12 consecutive months, the borrower(s) fails to pay property taxes or insurance, the property deteriorates beyond what is considered reasonable.

Q: Will I have to make Monthly mortgage payments?

A: NO. You are not required to make any payments until the loan is due. However, you can make payments any time you choose. There are no penalties for making payments before the loan is due.

Q: If I decide to pay back the loan early, would I incur any penalties?

A: NO. You can pay back the loan at any time and will not be charged any fees for doing so.

Q: What are the costs for a reverse mortgage?

A: Costs for a reverse mortgage include an origination fee, third party fee (just like a first mortgage), as well as a monthly service fee, and FHA mortgage insurance (MIP).

Q: Are the funds I receive taxable?

A: The IRS does not consider funds received from a reverse mortgage as taxable income. This means your income bracket will not be affected. Interest charged is not deductible until it is actually paid, that is, at the end of the loan. "This is not tax advice, please consult a tax professional".

Q: How is a reverse mortgage paid to you?

A: That's up to you. You could take it

- 1.) As an immediate cash advance at closing, that is, a lump sum of cash paid to you on the first day of the loan.
- 2.) In a credit line account that lets you take cash advances whenever you choose during the life of the loan - until you use it all up.
- 3.) As a monthly cash advance: for a specific number of years that you select: Or as long as you live in your home: Or as any combination of immediate cash advance, credit line account, and a monthly cash advance.

Q: Why is it called a Reverse?

A: In a "forward" mortgage (the kind you normally use to buy a home), your regular monthly repayments make your debt go down over time until you have it all paid off. Meanwhile, your equity is rising as you owe less and less, and as your property value grows (appreciates). So, forward mortgages are "falling debt, rising equity" loans - just the opposite of reverse mortgages.

- Here's another way to think of it. In a forward mortgage, you use debt to turn your income into equity. In a reverse mortgage, you use debt to turn your equity into income. You are reversing the deal you used to buy your home. Then, you had income and wanted equity. Now, you have equity and want income. In both cases you use debt to turn what you have into what you want.

Q: What's the most you can owe?

A: You can never owe more than the value of the home at the time the loan is repaid. Reverse mortgages are always "nonrecourse" loans, which means that in seeking repayment the lender does not have recourse to anything other than your home. Not your income, your other assets, or your heirs.

So even if you receive monthly loan advances until you are aged 115, your home declines in value between now and then, and the total of monthly advances becomes greater than your home's value - you can still never owe more than the value of your home. If you or your heirs sell your home in order to pay off the loan, the debt is generally limited by the net proceeds from the sale of your home.

Q: What's the out of pocket cost?

A: The out of pocket cash cost to you is most often limited to the appraisal fee that covers the cost to the appraiser to produce a report verifying the value of the home. And the counseling fee which is an FHA requirement and performed generally by phone or in person if you elect to do so.

Q: My house is in revocable trust, can I still do a reverse mortgage?

A: YES, if your house is in a trust a reverse mortgage can still be performed. All parties to the trust must sign documents at the closing documenting their interest within the trust. An Irrevocable trust is also eligible.

Q: Are there homeowners' insurance requirements?

A: Yes: It is your responsibility to maintain an acceptable amount of property insurance, including flood insurance where necessary.

Q: Can I use the funds from a reverse mortgage to purchase a home?

A: Yes. With a reverse mortgage you can use the proceeds to purchase a home. You will be responsible for making a down payment equal to the difference between the value of the home and the amount of financing you receive. You will not need to make any reverse mortgage payments while you live in the home or until a maturity event occurs.

Q: Who will help me through this process?

A: An All Island Mortgage Reverse Mortgage Specialist will be available to you every step of the way to answer your questions and help ease any concerns you may have - always at no obligation.

Q: Do I need a lawyer to apply for a reverse mortgage?

A: Legal counsel is not required. However, we always encourage you to seek advice of legal, tax, or financial advisor before committing to a reverse mortgage.

Q: How long does the entire process take?

A: Generally the entire process takes about 30 to 45 days. However, having all the necessary paperwork from the start does help. Such as proof of SS#, proof of date of birth, homeowners insurance information, name and address of your present mortgage holder so we can obtain a payoff. And as of April 27th 2015 all income MUST be fully documented. Such items may be pay stubs, W2's, Social Security award letters, bank statements with direct deposits, verification of employment letters. An All Island Mortgage specialist will assist you every step of the way.

Reverse Mortgage Counselors:

Fee to be paid at time of counseling.

1. **Cambridge Credit Counseling: 1-888-764-7460 or 1-800-757-1788**
2. **Horizon Counseling Inc.: 888-315-4326**
3. **Debt Helper - 800-920-2262**
4. **Smart Money Housing: 1-800-403-3807 or 1-800-403-3876**
5. **Family & Children's Association - 516-485-3425 *In home counseling available***
6. **Money Management International: 1-877-908-2227**
7. **Tri-County Housing Council: 607-562-2477**
8. **CCCS of central New York: 1-800-479-6026**
9. **Putnam County Housing Corp. : 845-225-8493**
10. **Community Development Corp. Of Long Island: 631-471-1215**

Under FHA guidelines the client "must" initiate the call to the reverse mortgage counseling agency.

When speaking to the counselor please give him or her the fax # and e-mail address for your All Island Mortgage specialist so we can receive a copy of the certificate.

The fax # for Bob Schiano is 631-240-4771 and the e-mail is aimfc@aol.com

The Fax # for Kevin T. Bailie is 631-240-4794 and the e-mail is aimfc1@juno.com

The fax # for Nick Schiano is 631-382-8210 and the e-mail is aimfc2@juno.com

Reverse Mortgage Counseling Instructions:

- ***Call the Counseling Agency of your choice.***
- ***Please say to them: I would like to schedule reverse mortgage counseling.***
- ***Please have available the fax number or email address for the All Island Mortgage loan originator that is working with you. Please tell the counselor you have received the pre-counseling disclosures.***

Glossary of Terms:

Adjustable rate: An interest rate that changes, based on the changes in a published marker-rate index.

Appraisal: An estimate of how much a house would sell for if it were sold; also called market value.

Closing: A meeting where documents are signed to "close the deal" on a mortgage.

Credit line increase: A feature in which your available credit line automatically increases each month.

Constant Maturity Treasury Index: An index of rates on U.S. Treasury borrowings that determine the changes in many adjustable-rate mortgages. The index is released by the Federal Reserve Board, which recalculates yields on a variety of Treasury securities as if each would mature in one year.

Escrow: To set aside money out of the funds available from the loan.

FHA: Federal Housing Administration.

FHA Mortgage Insurance: A requirement on HUD loans, which reduce the risk of loss in the event that the outstanding balance exceeds the value of the property at the time that the mortgage is due and payable.

Home Equity: The value of the home less any money owed on it.

Home Equity Conversion Mortgage (HECM): FHA insured reverse mortgage.

HUD: U. S. Department of Housing and Urban Development.

LIBOR: The LIBOR (London Interbank Offered Rate) index is an average of the interest rates that major international banks charge each other to borrow U.S. dollars in the London money market.

Line of Credit: Method of disbursement that allows you to withdraw funds when you need them, up to the maximum available amount.

Lump sum: Method of disbursement that allows you to withdraw all or part of your available credit.

Margin: The amount added to the index to calculate rate.

Maximum Claim Amount: The lesser of the appraised value or the FHA national lending limit.

Monthly installments: Method of disbursements that allows you to receive regular cash installments in the amount you choose.

Non-Recourse Mortgage: A home loan in which a lender may look only to the value of the home for repayment; no other assets may be attached.

Origination: The overall administrative process of setting up a mortgage, including the preparation of documents.

Owner - occupied: any property where the owner resides in all or part of the property.

PUD: Planned Unit Development.

Refinance: Paying off an existing loan with the proceeds of a new loan with new terms (usually with the same property as collateral) potentially with reduced cost.

Right of Rescission: Borrower's right to cancel a home loan within three business days.

Reverse mortgage: A Reverse mortgage is a loan that allows you to access a portion of your home's equity and use the tax-free funds however you choose. With this type of loan, you always retain title to your home and no repayment is required until the loan is due.

Servicing: Administering a loan after closing, including maintaining records and sending statements.

Supplemental Security Income (SSI): A federal program providing monthly cash benefits to low income persons 65+, blind, or disabled.

Tenure monthly payments: Fixed monthly loan advances for as long as the borrower lives in the home.

Term monthly payments: Fixed Monthly loan advances for a specific period of time.

Pre Counseling Disclosures

The federal government (FHA) along with HUD has added an additional requirement to obtaining a reverse mortgage. This requirement takes place as of September 11th 2010. The ruling states that when a client contacts a reverse mortgage counselor the counselor must send out a pre-disclosure package to the client to review and then a counseling session may take place.

All Island Mortgage and Funding Corp. is taking a proactive approach to this procedure. We will send you the pre-counseling disclosure package for you to review and then you simply tell the counselor you received the package already and counseling can be performed in a short amount of time. This could save you weeks off the reverse mortgage processing procedure once you have made the decision to go forward.

Once on the phone with the counselor he or she will be asking you about 50 questions regarding your finances, monthly income, etc. This in no way will be a hindrance in you obtaining a reverse mortgage. This is a government requirement only. Some of the questions will also involve the counselor locating any benefits in your area that you may be eligible to receive. The entire session will take between 45 and 60 Minutes.

Please remember to tell the counselor to fax the certificate to All Island Mortgage. This will speed up the entire process.

Here is a list of items that will be included in the package:

- HUD's "Preparation for Your Counseling Session": This is a four page description of what to expect from the counselor as far as questions he or she will ask and the different topics that will be discussed during the counseling session.
- Loan printout showing TALC (Total Annual Loan Cost): This document shows approximately what percentage of the loan goes toward the closing cost based on how many years you may stay in your home. The longer you live there the lower the percentage of closing cost.
- Loan printout amortization Schedule: This estimate calculates approximately what your balance of your loan will be for a 20 year period and what the estimated equity left in your home should be based on a 4% appreciation in value of your home.
- Loan comparison printout: This print out compares three different types of reverse mortgage options.
- National Council on Aging Booklet, "Use Your Home to Stay at Home": This booklet explains the many benefits of a reverse mortgage. As does this catalog you are presently reading.

Reverse mortgage changes as of Oct. 2nd 2017

As of September 30th 2013 FHA and HUD has implemented changes to the reverse mortgage industry. The changes are listed below.

- *Elimination of the standard mortgage. Now there will be only one premier reverse mortgage either adjustable or fixed rate. Both programs will have the exact same loan to value.*
- *If you do not have a mortgage to pay off you will be capped at closing on the amount of funds you will be able to take out at closing. The amount will be 60% of your total available funds. The balance of your available funds will be available to you after 12 months. In this case you will have to take the adjustable loan so the balance of funds can be accessible to you.*
- *If you have a mortgage to pay off you are allowed to pay off the mortgage, cover the closing cost, and take 10% of the total funds available for yourself. If there is any funds available once again these funds will be available to you after 12 months.*
- *If you elect to take a lump sum payment fixed rate there will be no additional funds available after the closing. The loan will be officially closed at this point.*
- *UP FRONT FHA MORTGAGE INSURANCE PREMIUM: With every FHA reverse mortgage FHA charges an upfront fee at the closing based on the appraised value. This fee is 2% of the appraised value. The yearly fee is .50% of the outstanding balance. This is down from 1.5%.*
- **Just prior to closing the lender must now confirm via phone call to you the monetary draw you will be taking out at closing.**

Your reverse mortgage specialist at All Island Mortgage will be able to analyze your personal requirements and explain all the options available to you.

Reverse mortgage changes as of August 4th, 2014

Starting August 4th, 2014 FHA will allow one person on title to be under the age of 62 years old. One of the borrowers must be 62 years or older and the other borrower may be as young as 18 years old. Loan to value will be evaluated based on the age of the youngest borrower. Please feel free to call one of our specialist for an accurate loan amount available to you. The younger spouse is allowed to stay in the home for their natural life.

National Reverse Mortgage Lenders Association



"Code of Conduct"

- 1. Treat all clients with respect and dignity.***
- 2. Protect the client's privacy and confidentiality.***
- 3. Encourage clients to discuss the loan transaction with family members and / or other trusted advisors.***
- 4. Inform clients at no charge about all of the member's reverse mortgage programs and assist each client to determine the program most suitable for his or her needs.***
- 5. When estimating potential reverse benefits, clearly and accurately identify all cost.***
- 6. Take reasonable steps to check out the background and procedures of third parties before accepting referrals of business from them, and refuse to accept referrals from those that are found unacceptable. Members shall disclose to clients any third party with financial interest in the reverse mortgage transaction.***
- 7. Not imply to a borrower that he or she is obligated to purchase any other product or service offered by the member or any other company in order to obtain a reverse mortgage.***
- 8. Pay all loan proceeds directly to the borrower, except to retire existing debt, pay a contractor from the borrower's repair set-aside account, or pay property taxes or hazard insurance premiums from the borrower's set-aside account for taxes and insurance.***
- 9. Employ individuals who have passed a background check and are found to be of good moral character.***
- 10. Report any suspected violations of the Code of Conduct to the National Reverse Mortgage Lenders Association.***
- 11. Make a good-faith effort to resolve concerns received from clients about a reverse mortgage transaction.***
- 12. In all of their loan origination arrangements, comply (with the advice of qualified counsel as appropriate) with all applicable regulatory requirements including: (i) provisions of the federal Real Estate Settlement Procedures Act barring referral fees; (ii) state mortgage regulatory provisions requiring licensing by loan originators, if applicable; (iii) with respect to FHA - insured HECM reverse mortgage loans, FHA provisions requiring licensing and restricting employment arrangements.***



NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION PLEDGE TO REVERSE MORTGAGE BORROWERS

The mission of the **National Reverse Mortgage Lenders Association** is to educate you about reverse mortgages and to help you determine if one might be the right choice for you. We know your home is a prized possession of you and your family. We are sensitive to the fact that utilizing your home equity while you remain in the home is a major financial and emotional decision. All NRMLA members are required to abide by a Code of Ethics & Professional Responsibility in which we pledge to serve you with integrity. Your best interests are our primary consideration.

Prior to you getting a reverse mortgage, as a NRMLA member we will:

- Know and comply with all State and Federal laws and regulations that protect reverse mortgage borrowers.
- Present you with the full range of reverse mortgage products available from our company.
- Clearly explain the terms, benefits and costs of each product we present.
- Inform you of your responsibilities as a reverse mortgage borrower including paying real estate taxes on time, keeping the property properly insured and maintaining the home in sound condition.
- Work with you and, if you request, with your family and financial advisors either face-to-face or on the telephone as frequently as you choose to educate you, answer any and all questions and help you assess whether a reverse mortgage might be beneficial to you.
- Explain the benefits of and statutory requirement that you have reverse mortgage counseling.
- Provide you with a list of HUD-approved independent housing counseling organizations that employ exam qualified counselors to serve you. The choice of the organization is yours and yours alone.
- Help you prepare for your counseling session to make it most effective by providing you with questions you might ask and information you should be prepared to provide to the counselor.
- Prepare loan comparison projections and an amortization table for the loan being proposed to review at your counseling session.
- Not charge any fees prior to the completion of mandatory counseling.
- Help you analyze your financial ability to meet your responsibilities under the reverse mortgage.
- Recommend that you seek professional advice if you are receiving assistance from SSI, Medicaid or other government programs.
- Recommend you seek professional tax advice when appropriate.
- Allow you to decide when to close on the reverse mortgage loan and not pressure you to make a decision.
- Provide you with opportunities during the loan process to change your mind and not take the loan.
- Pay off the existing liens shown of record, verify taxes are paid, and make sure that you have proper insurance upon closing.

Once you have a reverse mortgage, a NRMLA member loan servicer will:

- Notify you promptly if you have fallen behind in your tax and insurance obligations and direct you to seek advice in the event you are not able to fulfill your responsibilities.
- Keep you informed of your current loan balance and of all costs by providing regular statements detailing your account.
- Be available to answer any questions you may have about your account.

You can BORROW WITH CONFIDENCE from a NRMLA member.

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