

Reverse Mortgage Guide

For Senior Texas Home Owners

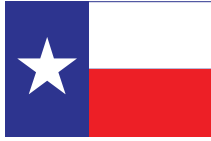


Lone Star Reverse Mortgage

Bob and Debbie Worley

www.LoneStarReverseMortgage.com

Toll Free: 1-800-336-4633



**Lone Star
Reverse Mortgage**
A Division of Reverse Mortgage of Texas

www.LoneStarReverseMortgage.com

Hello,

My name is Bob Worley and my wife, Debbie, and I are fellow Texas homeowners.

We understand that you have worked to pay off your mortgage or build-up equity in your home. You have also paid taxes to the federal government for years. Now you may need funds to make ends meet or simply make life a bit more enjoyable. You have earned the right to take advantage of this great benefit program from the US Government.



We are a division of Reverse Mortgage of Texas, which is one of one of the founding companies of the reverse mortgage industry in our state, with offices in Dallas/ Ft. Worth, Austin, San Antonio, Kerrville, Houston, and El Paso. Debbie and I pledge to treat you fairly and honestly and answer your questions to help you decide if a reverse mortgage is in your best interest.

Bob & Debbie Worley

Bob & Debbie

Lone Star Reverse Mortgage

Contact Information:

Phone Numbers:

Toll Free: 1-866-336-4633

Toll Free Fax: 1-866-347-9362

Email:

Bob Worley - bobworley@lonestarreversemortgage.com

Debbie Worley - debbieworley@lonestarreversemortgage.com

Website:

www.LoneStarReverseMortgage.com

Table of Contents

Introduction Letter from Bob and Debbie Worley.....	1
Living Life to the Fullest!	2
What is a Reverse Mortgage?.....	3
Reverse Mortgage Overview.....	3
Reverse Mortgages vs. Traditional Mortgages or Home Equity Loans.....	3
Why get a Reverse Mortgage.....	4
Benefits of a Reverse Mortgage.....	4
Reverse Mortgage Specifics	
Eligibility Requirements.....	4
How much can be funded?.....	5
Interest Rate.....	5
Loan Repayment.....	5
U.S. Government Involvement in Reverse Mortgages.....	5
Effects on your Government Benefits.....	5
The Reverse Mortgage Process	
Education.....	6
Counseling.....	6
Application.....	6
Expenses Associated with Reverse Mortgages.....	6
Appraisal.....	7
Insurance.....	7
Closing.....	7
Why does the U.S. Government Regulate and Ensure Reverse Mortgages?	7
Old- Fashioned Personalized Service from Lone Star Reverse Mortgage	
Service.....	7
Experience.....	7
Reputation.....	7
Customer Comments	8
The Next Step	9
Who are Bob and Debbie Worley?	9
Questions and Answers	10-13
Mortgage Terms	13-15

Living Life to the Fullest!

Do you want to make the most of the equity you've acquired in your home? Today, there are more options for retired individuals and couples than ever before. Whether you need to pay off bills, or would like additional income to enjoy your retirement, a reverse mortgage may be the answer for you!

What is a Reverse Mortgage?

A Reverse Mortgage is a loan based upon the equity a homeowner has available in their home. Essentially, you can receive government insured money immediately and repayment is not due until you are deceased or permanently leave your home. If you are 62 or older, own and live in your home with a mortgage of less than 50% of the appraised value of the house, or you own your home free and clear, a Reverse Mortgage may be right for you. A Reverse Mortgage allows you to borrow against the equity you've established in your home without repaying the loan for as long as you live there.

Overview of How a Reverse Mortgage Works

A reverse mortgage is a powerful financial tool. In many ways, it is a reward for all the hard work you have put into building the equity in your home. A reverse mortgage can be a safe way to secure your financial future!

In a reverse mortgage, you are loaned a percentage of the value of your home. The older you are, the higher the percentage you are loaned. You do not make a mortgage payment for the rest of your life, but you do still own the home and are responsible for paying the property taxes and homeowner's insurance premiums. When you (and your spouse, if you are married) leave the house permanently, you or your heirs have up to one year to pay-off the reverse mortgage. This would most likely be accomplished by selling the home and using the proceeds of the sale to pay-off the reverse mortgage. These are non-recourse loans, so if the proceeds of the sale did not cover the balance due on the loan, you or your heirs would not be obligated to pay the loan.

The tax-free money you receive can be:

- A lump sum of cash, a line of credit, or a combination of the two
- Regular monthly payments for as long as you live in your home
- Regular monthly payments for a fixed period of time
- Or any combination of the above options

Reverse Mortgage Versus a Traditional Mortgage

There are two big advantages of a reverse mortgage. With a traditional mortgage, monthly payments must be made over the term of the loan. With a reverse mortgage, no monthly payments are made and when the borrower dies or permanently moves out of the house the heirs typically sell the home, pay off the loan and receive the balance. However, the heirs have the option of obtaining a new loan or paying the mortgage off and keeping the home.

The second advantage of a reverse mortgage is there is no "credit or income qualifying", whereas with a traditional mortgage the person must show enough income and good credit to support their ability to make the monthly payments.

Why Get a Reverse Mortgage?

The income received through a reverse mortgage can be used for a variety of purposes to enhance your lifestyle, give you peace of mind, or just make your day to day life better. There are no restrictions on how you use the proceeds from a reverse mortgage. The funds are yours to use how you choose.

- Maintain your independence by not relying on family or friends for financial help.
- Make a wise investment, the money is yours tax free.
- Use for a line of credit now or for future unexpected expenses.
- Buy a new car, take a vacation, or visit family or friends.
- Supplement your retirement income.
- Pay for in-home care or cover medical expenses.
- Use the extra money to receive necessary home health care or medical treatment.
- Help your children with their financial needs.
- Improve your standard of living by receiving extra monthly income.
- Pay off medical bills, utility bills, debts, property taxes, etc.
- Make needed repairs or improvements to your home.

Many Benefits Provided by a Reverse Mortgage

For many senior Texas homeowners, a reverse mortgage is an effective and smart way to convert home equity into flexible, tax free income. The benefits include:

- Continue to live in and own your house, **and** benefit from appreciation in the value of your home.
- Receive tax-free income from the cash advances.
- Enjoy the flexibility of determining how you wish to receive your cash disbursements either by lump sum or fixed monthly payments to you.
- Have piece of mind knowing that you and your heirs have **no personal liability** for the repayment of the loan since it is secured solely by your home.

Rest assured that you owe nothing until after you no longer occupy the home as your principal residence.

Reverse Mortgage Specifics

Eligibility Requirements

The eligibility requirements are simple. There is no income, employment, or credit qualifying restriction. **All homeowners must be age 62 or older and occupy the property as their primary residence.** The home must be lien free or have a remaining mortgage balance which can be paid off by the proceeds from a reverse mortgage. Typically, the existing mortgage on the property (if any) cannot exceed 50%. The home must meet FHA minimum property standards. In some cases, home repairs will need to be made after the closing of a reverse mortgage. In such a case, funds for the repairs are set aside at funding to complete the repairs.

How Much Can be Funded?

The amount that can be funded as a result of a reverse mortgage varies by age and the equity you have in your home. The older you are and the higher the appraised value of your home, the more money you receive. The primary determining factors are the borrower's age, (based on the younger homeowner) appraised value of the house (determined by an approved FHA appraiser) and the current interest rate.

The maximum amount that can be funded is based on the following factors:

- The age of the youngest homeowner
- The appraised value of the home
- The current interest rate

In general, the more your home is worth, the older you are, and the lower the interest rate, the more you'll be able to borrow.

Interest Rate

Your loan will be made based on an **adjustable rate** or a **fixed rate**. You have the option of choosing a monthly rate or annually adjusting the rate.

US Government Involvement in Reverse Mortgages

Our reverse mortgages are U.S. Government insured loans and HUD regulates and caps fees and expenses associated with reverse mortgages ensuring that seniors are not taken advantage of by any lender, broker or other entity.

Loan Repayment

The loan is due and payable only when all homeowners no longer occupy the property as their principal residence or have permanently moved from the house. The principal and accrued interest is due when the borrower dies (or permanently moves out of the house). If the borrowers are a husband and wife, the reverse mortgage is due when the last one dies or permanently leaves the home. The only requirement is that the loan be repaid in full within one year. There is no requirement that the property be sold, only that the loan is repaid. This may occur through the sale of the home or through other resources (such as savings or refinancing the house and paying off the reverse mortgage with those proceeds). If the heirs choose to sell, the estate is given approximately 12 months to sell the house. Any money that exceeds the loan amount and closing costs belongs to the heirs.

Effects on your Government Benefits

The money received from a reverse mortgage is non-taxable and is not considered income. Therefore, a reverse mortgage does not affect Social Security or Medicare benefits.

The Reverse Mortgage Process

Education

You owe it to yourself to get informed about Reverse Mortgages. Now, more than ever, it is essential to be an informed citizen and consumer.

In this fast changing world it is necessary that we stay educated and knowledgeable about the conditions that affect our lives, our families and our communities. To not do so, can create unnecessary hardship and allow us not to live the quality of lives we deserve. **Let Bob and Debbie Worley, with Lone Star Reverse Mortgage help answer all of your questions and provide you with the information and facts you need to determine if a reverse mortgage is appropriate for your situation.** We pledge to treat you fairly and honestly and answer your questions to help you decide if a reverse mortgage is in your best interest.

Counseling

As part of the reverse mortgage application process, you are required to participate in a consumer education session with a HUD-approved counselor.

The counselor will explain the legal and financial obligations of the program as well as any alternatives you may have. A reverse mortgage is not a good fit for everyone, so this step will help ensure that you are making the right decision. The counseling session can be done in person or by telephone and usually takes 30 to 45 minutes. A counseling certificate is issued by the counseling agency, and mailed to your home.

Application

Our goal is to make the process of obtaining a reverse mortgage a pleasant and easy one. Bob and Debbie will sit down with you and help you complete the loan application or will send one of their trusted notaries. As part of the application packet, you will receive a disclosure with the estimated total costs of the loan, as required by the federal Truth in Lending Act.

Expenses associated with a reverse mortgage

The items that are necessary and incur fees and expenses associated with a reverse mortgage are basically the same as on a traditional mortgage.

They include:

- Appraisal and survey fee (*we are able to use an existing survey if it is accurate*)
- Loan origination fee
- Mortgage Insurance
- Title Policy
- Attorney fees and normal closing expenses

Fees are not paid up front, but rather are added to the loan balance and paid when the reverse mortgage is paid off. The interest rates of reverse mortgages are typically less than traditional mortgages.

Appraisal

A professional FHA approved appraiser will be used to determine the value of your home and this value will be used to calculate the amount of your reverse mortgage.

Insurance

The lender will require that you have homeowners hazardous insurance, mortgage and title insurance. Insurance protects the borrower as well as the lender.

Closing

Processing the loan typically takes approximately 30 days after we receive the counseling certificate. Once the loan is approved, the closing is scheduled and takes place in your home. Funding usually occurs 5-7 days after closing.

Why does the U.S. Government sponsor Reverse Mortgages?

The U.S. Government realizes that seniors are living longer through the advances in medicine and healthy lifestyles, but healthcare expenses continue to rise. People are simply outliving their money. Furthermore, over 70% of seniors own their own homes and prefer to stay there the rest of their lives. Accordingly, H.U.D. developed the reverse mortgage program to help seniors live out their golden years in their own homes without undue financial worries.

Old-Fashioned Personalized Service for You

Service

For Lone Star Reverse Mortgage, old-fashioned personalized service is more than just a marketing slogan. It is how we do business! We value and respect your business, and we will make every effort to provide you with honest and personal service specific to your individual needs. Getting a reverse mortgage is about more than getting a loan. You can count on Loan Star Reverse Mortgage to help you find the best product for your needs and provide any guidance you might need along the way. We commit to building a relationship of trust with you and offering you the most knowledgeable, personal, and experienced service available.

Experience

Lone Star Reverse Mortgage is a Division of Reverse Mortgage of Texas, one of the founding companies of the reverse mortgage industry in our state with offices in Dallas/ Ft. Worth, Austin, San Antonio, Kerrville, Houston, and El Paso. Our approach is to educate our valued clients about reverse mortgages and help them make an informed and intelligent decision.

Reputation

Reverse Mortgage of Texas, our parent company, is top rated by the Better Business Bureau. The principals, Bob and Debbie Worley are committed to providing quality services and representation with honesty and integrity. Each of them is fully licensed by the State of Texas to provide reverse mortgage brokerage services.

Customer Comments

"You both have done an excellent job! Y'all were very courteous and explained everything so that we could understand it. Thanks for everything!"

Sam and Jo Ann, Irving, Texas

"I just want to tell you how thankful we are to you for all you've done and the manner in which you've handled this. We really appreciate you! Everything went smoothly and more quickly than we expected! Thank you, again, for all your help."

Forrest and Sharon, San Antonio

"Your job performance was outstanding. You were like a good neighbor and friend...always there for me. Thank you."

Bob and Patsy, San Angelo

"Two firms were contacted before (we contacted) you. One said, "Talk to my secretary for an appointment to come to Tomball (a sixty mile drive for us!)." The other said, "We will call you later." That never happened. I reluctantly called Mr. Worley after reading through his website and he pleasantly said, "We will come to you." Great! His lovely lady appeared and made the weighty procedure as pleasant as possible for which WE say, "Thanks!"

"Glad we got to know you", as they say in Texas!

Marion and Trudy in Houston

"Integrity=Bob and Debbie Worley You two are a blessing to people like us who needed your guidance in accomplishing a major life decision. Please accept our sincere thanks."

Tom and Shirley, Canyon Lake, TX

"I want to thank the two of you for your help with my parents. It was a pleasure to work with two professionals. I know my parents really appreciated all of your work."

Bill and his parents, Bert and Bertie, Kilgore, TX

"Patient, considerate, very professional and very honest. We definitely will refer your company and staff."

Johnny and Rachel, San Antonio, TX

"We were very pleased at the service and quickness we got from Mr. Worley! We will refer him to everyone..."

Edna and Carthal, Kerrville, TX

"JoAnn and I were extremely happy with the way our deal was handled and we cherish your friendship."

JoAnn and Sonny, Meadowlakes, TX

"I was surprised at how smoothly everything went and how quickly it all went through. Thank you so very much! Also, it was more (money) than I'd expected!"

Virginia, San Antonio, TX

"Shirley and I were impressed by and sincerely appreciated your personal hands-on attention. Thank you very much."

Shirley and Howard, LaPorte, TX

"We appreciated the fact that we did not feel pressured into doing this reverse mortgage."

Nancy and Larry, Kerrville, TX

"It was a pleasure working with you, Bob! A big thank you for your help, advice, and interest. We really appreciate all that you did for us!"

Ruth and Frank, Boerne, TX

"Thank you for being so professional. Please keep in touch."

Sonny, Cleveland, TX

It could not have been a more rewarding experience!"

Richard, San Antonio, TX

"I appreciate very much the concern you have for your clients. You are a wonderful person to know. May God continue to bless you."

Calvin, San Antonio, TX

Please read more customer comments on our website, www.lonestarreversemortgage.com.

The Next Step

Let's talk over how we may be of service to you. Contact Bob or Debbie Worley today.

Bob Worley - bobworley@lonestarreversemortgage.com - TX License # 50404

Debbie Worley - debbiworley@lonestarreversemortgage.com - TX License # 67929

Toll Free: 1-866-336-4633

Fax: 1-866-347-9362

www.LoneStarReverseMortgage.com

We look forward to meeting you.

Who are Bob and Debbie Worley?

Bob Worley has been involved in service industries throughout his career. His philosophy is to "be there" for his customers from the beginning to the end. Bob is a "hands on" business man who makes every effort to answer all questions and explain each step in the process of obtaining a reverse mortgage. He has even gone so far as to explain to folks why a reverse mortgage may not be the best option in their particular situation! Bob always tries to meet in person with potential borrowers and often attends closings.



Bob's vast experience in the field of real estate is a result of more than 20 years as a licensed real estate broker in the Dallas/Ft. Worth area. Since a reverse mortgage loan is secured by real estate, your home and your most valuable asset, his expertise in dealing with appraisers, title companies, and lenders is a valuable element he brings to the table. For 8 years, Bob worked with the FDIC, selling repossessed properties throughout Texas. In this experience, he became proficient at working with the federal government. Since a reverse mortgage is a federally insured loan and follows FHA/HUD guidelines, his experience with the FDIC is invaluable.

As a licensed mortgage broker, Bob has helped many individuals and couples obtain reverse mortgages since 2004. A native Texan, Bob grew-up in Big Spring, TX, graduated from Dripping Springs High School, and received his BS degree from the University of Texas at Austin in 1970. His wife, Debbie, a retired teacher of 25 years, has worked with Bob as a loan officer and processor since 2005. She grew-up in Sherman, TX, earned her undergraduate and graduate degrees from East Texas State University and The University of North Texas, respectively. Debbie has also worked as a residential realtor and as an office manager for a north Dallas homebuilder.

Bob and Debbie specialize only in Reverse Mortgages, this allows them to offer you truly expert and experienced service and guidance. They believe that serving seniors is a privilege and are proud to provide their services to you.

Together, the Worley's will do all they can to make your experience as uncomplicated and rewarding as possible.

Questions and Answers

Q. Who is eligible for a reverse mortgage?

A. The only requirement is that the younger homeowner must be at least 62, reside in the home, and have enough equity to make the loan feasible. Although not recommended, if one homeowner is younger than 62, it is possible to remove that person from ownership, thereby meeting the requirements of a reverse mortgage.

Q. Can I obtain a reverse mortgage if I already have a mortgage on my home?

A. Yes, as long as you have adequate equity in your home. If you already have a mortgage, a reverse mortgage will pay off your existing mortgage and thereby eliminate your monthly mortgage payments.

Q. How is the U.S. Government involved with reverse mortgages?

A. In 1989, the U.S. Government established the reverse mortgage program through H.U.D. Its purpose was to provide a means for seniors to stay in their homes and obtain cash or income from the equity they built up in their homes over the many years of making monthly mortgage payments. The government did this for seniors because their earning capacity decreases as they get older, yet due to rising medical costs and inflation, their expenses actually increase. Reverse mortgages, sponsored by H.U.D. are the U.S. Government's response to the plight many seniors face with being "home rich," but "cash poor."

However, it should be noted that the last thing the government wants is a seniors' program that takes advantage of seniors. For that reason, the U.S. government has put in the following safeguards:

- a. Caps on fees and expenses – The interest rate and all fees associated with reverse mortgages are capped to safeguard seniors.
- b. Required counseling for suitability – H.U.D. requires that those who are considering a reverse mortgage receive free counseling from a non-profit, approved counseling agency in order to ensure that a reverse mortgage is right for them. The counseling can be done over the phone or in person, usually takes 30-45 minutes, and the person is issued a counseling certificate.

Q. Why is it better to obtain a reverse mortgage versus simply refinancing the house with a traditional mortgage?

A. Three reasons a reverse mortgage can be better are:

- a. With a reverse mortgage the senior does not have to make monthly mortgage payments, as with a traditional mortgage. Remember, with a reverse mortgage the principal and interest are not repaid until the borrower dies or leaves the home permanently. If a married couple has a reverse mortgage, both must permanently leave the house before the mortgage must be repaid.
- b. There is no "income qualifying" required. If the person is 62 or older, he/she qualifies irrespective of his/her income and credit history.
- c. The interest rate is less than a 30 year conventional mortgage interest rate.

Q. Are fixed rate loans available?

A. Yes, the fixed rate product became available in September 2007.

Q. Will I have to pay any fees out of pocket to obtain a reverse mortgage?

A. No, Fees involved in obtaining a reverse mortgage will be added to your loan balance with the exception of a \$75-125 counseling fee that is required by the US Government.

Q. Are the closing costs and fees in a reverse mortgage high?

A. The fees and closing expenses on a reverse mortgage are higher than on a forward mortgage, but it is important to understand: the interest rate on a reverse mortgage is substantially less than the interest rate on forward mortgage. The rate is capped at 10% above the beginning rate on the loan. Over the life of the loan, the lower interest rate will more than offset the higher closing costs. That is why the overall cost of reverse mortgages is less than traditional FHA adjustable rate mortgages. The cost of a reverse mortgage can be significantly lower than the cost of a conventional mortgage over time.

It is also worth noting the difference between how closing costs and fees on a reverse mortgage are handled compared to forward mortgages. With forward mortgages, a borrower has an option to reduce or even eliminate closing costs and fees, by simply agreeing to increase the interest rate. As an example, if the fees and expenses on a regular mortgage are \$4000 with an interest rate of 5%, the borrower could choose a higher interest rate of 5.5% and have reduced closing expenses.

Reverse mortgages are different. Adjusting the interest rate and eliminating closing costs and fees are not allowed by HUD. The reason is full disclosure, that is, the government wants seniors to see exactly what the closing costs are as well as what the exact interest rate on the loan is. Unlike traditional mortgages, closing fees cannot be eliminated or hidden in the interest rate of the loan. **Understanding this fundamental difference puts the issue of fees and expenses of a reverse mortgage in perspective and again illustrates why the total cost, over time, is less than for forward mortgages.**

Q. Are there any restrictions on the use of the money I receive? What if I just want to buy a new car or take a trip each year to visit my grandchildren?

A. It is your money and the way you spend it is completely up to you!

Q. What am I required to do to keep the loan in good standing?

A. As long as you continue to live in your home as your primary residence and pay your property taxes and homeowner's insurance, the loan will remain in good standing.

Q. Will my heirs owe anything to the mortgage lender?

A. Your heirs may either repay the loan from their own funds or sell the property at its "fair market value" and repay the loan from the proceeds of the sale. No additional financial claims may be made against your heirs or estate because the reverse mortgage loan is a non-recourse loan.

Q. If my home's value appreciates during the term of a reverse mortgage, who will be entitled to that money?

A. Under the terms of the reverse mortgage, you or your heirs are legally required to pay back the outstanding balance of your loan when you permanently leave or sell the home. Once that is done, you or your heirs are entitled to all remaining money that might be earned on the sale of the home.

Q. How much can I borrow?

A. The maximum amount that can be borrowed is based on a HUD formula that factors in the **age of the younger borrower**, the average expected interest rate, and the current value of your home within the FHA insured limits for your area. Upon request, a free computer printout showing the above information based on **your** information is available. The printout also shows the approximate amount you are eligible to borrow. Typically, a person can borrow 50%-70% of the equity in his/her home. The percentage depends solely on the age of the younger spouse. The older the younger spouse is, the higher the percentage.

Q. What is the highest interest rate possible on a reverse mortgage?

A. The rate on the loan fluctuates, but there are caps on how high the loan rate can go. You have a choice as to whether you want the loan rate to adjust every month or annually. Your decision on this affects the interest rate cap on the loan. Additionally, a fixed rate is available.

Q. Will reverse mortgage payments affect my Social Security or Medicare benefits?

A. Money received will not impact eligibility for retirement, survivor, disability, or Medicare benefits payable under the Social Security Act.

Q. What if I decide to sell my home?

A. If you choose to sell your home, the outstanding reverse mortgage loan balance will have to be paid at closing. You or your estate will receive the proceeds exceeding the balance due on the reverse mortgage.

Q. How safe and secure are reverse mortgages?

A. Reverse mortgages are regulated by the U.S. Government through HUD. The fees and expenses that can be charged on a reverse mortgage are tightly regulated by HUD in order to protect seniors.

Q. Why haven't I heard more about reverse mortgages?

A. The U.S. government does not advertise benefit programs. Knowledge of this program is spreading due to the media, approved lenders of the program, and "word of mouth". The traditional mortgage industry has not pushed reverse mortgages because they require a great deal of expertise. The U.S. Government caps fees on reverse mortgages in order to protect seniors.

Q. How common are reverse mortgages throughout the US?

A. Some states have had reverse mortgage programs for years, though they have been available in Texas only since 2001. Texas now ranks in the top four markets in the nation for reverse mortgages.

Q. Will a reverse mortgage hurt my heirs?

A. Most heirs want the best for "their" senior citizen! Remember, your heirs will retain any equity in your home when you permanently leave the home and repayment of the reverse mortgage is due. Most seniors don't want to be a burden to their children or heirs, and a reverse mortgage allows you to retain your financial independence. Often times, children are the biggest proponents of this program.

Q. How long does the reverse mortgage process take? When should I receive my money?

A. Normally, it takes 30 days from the time we receive the counseling certificate to get funding on a reverse mortgage.

Q. What options do I have for receiving the money?

A. You may choose to:

- a. receive the total balance or “lump sum” of the loan at closing
- b. take an amount of cash at closing and receive the balance of the loan in monthly payments for life or take the entire balance in monthly payments
- c. receive an amount of cash at closing and leave the balance in a line-of-credit or leave the entire balance in a line-of-credit. As long as the funds are in the line-of-credit, you are not charged interest and there is even a credit line growth rate of 1/2 of a percent more than the monthly interest rate. For example, if the value of your line-of-credit is \$50,000 and you did not use any funds from it, the value could increase by 6% or in this scenario, \$3,000, making your LOC balance \$53,000. It is a simple process to withdraw money from your credit line and funds are usually received within five days.

Q. Why should I place my trust in Lone Star Reverse Mortgage and you?

A. Lone Star Reverse Mortgage is a division of Reverse Mortgage of Texas an approved direct lender by Fannie Mae and HUD and is one of the founding companies in the reverse mortgage industry in Texas. **The process of obtaining a reverse mortgage, including interest rates and fees, is standard throughout the state; therefore, the main reason to “shop around” would be to find a company that would give you the best service. You have found this in Bob and Debbie Worley!**

Mortgage Terms

Adjustable-Rate Mortgage – A loan with an interest rate that changes with market conditions on pre-determined dates.

Annual Percentage Rate (APR) – A term used to represent the percentage relationship of the total finance charge to the amount of the loan, over the term of the loan. Do not confuse the APR with your quoted interest rate, which is used to determine your monthly principal and interest payment. The APR reflects the cost of your mortgage loan as a yearly rate. It will be higher than the interest rate stated on the note because it includes (in addition to the interest rate) loan discount points, fees and mortgage insurance.

Appraisal – A report written by a qualified expert that states an opinion on the value of a property based on its characteristics and the selling prices of similar properties or comparable properties in the area.

Appreciation – An increase in the value of a house due to changes in market conditions or other causes.

Automated Underwriting – A computerized method of reviewing home mortgage applications for loan approval.

Clear Title – Ownership of the property that is free of liens and legal questions as to ownership of the property.

Closing – The final step after a lender approves an application. The occasion when a borrower signs loan documents, including the mortgage or deed of trust, and when closing costs are paid. Also referred to as the “settlement.”

Closing Agent – Usually an attorney or title agency representative who oversees the closing and witnesses the signing of the closing documents.

Closing Costs – The costs to obtain a mortgage loan. Closing costs cover any services and charges - such as title search and insurance, appraisals, surveys, credit histories, required inspections, taxes, and recording fees - that are necessary to complete the transaction.

Commitment Letter – A binding, written pledge, by the lender to a mortgage applicant, to make a loan, usually under certain stated conditions.

Counseling Session – Before a homeowner can close on a reverse mortgage, they are required to participate in a consumer education session with a HUD-approved counseling agency. The purpose of the session is to explain the legal and financial consequences of obtaining a reverse mortgage, and can be done by phone.

Credit Report – A report issued by an independent agency which contains certain information concerning a mortgage applicant's credit history and current credit standing.

Deed of Trust – The legal document conveying title to a property.

Equity – Your ownership interest, or that portion of the value of the property that exceeds the current amount of your home loan. For example, if the property is worth \$100,000 and the loan is for \$75,000, then you have \$25,000, or 25% equity in your home.

Good Faith Estimate – A document that tells mortgage borrowers the approximate costs they will pay at or before closing based on common practices in the locality.

Home Equity Conversion Mortgage (HECM) – A type of FHA-insured reverse mortgage. Home Keeper® Mortgage – A type of Fannie Mae reverse mortgage.

Homeowner's Insurance – A real estate insurance policy required of the buyer protecting the property against loss caused by fire, some natural causes, vandalism, etc. May also include added coverage such as personal liability and theft away from the home.

HUD-1 Settlement Statement – A standard form used to disclose costs at closing.

Index – Interest rate adjustments on adjustable-rate mortgage (ARM) loans are based on a specific "index" or treasury issue (bond) which is selected because it is a reliable, familiar financial indicator. Your monthly interest rate payment will be adjusted up or down in relation to this market indicator, plus the margin as specified in your note.

Interest Rate – The interest that is paid to the lender for the use of the money, usually expressed as an annual percentage rate.

Lien – A legal claim against a property as security for a payment of an obligation.

Loan Balance – The outstanding balance of a reverse mortgage loan. Equal to principal plus financed fees plus all accrued interest.

Loan Conditions – These are terms under which the lender agrees to make the loan. They include the interest rate, length of loan agreement, and any requirements the customer must meet prior to closing.

Loan Proceeds – Payments to a customer through a reverse mortgage.

Loan Settlement – The conclusion of the mortgage transaction. This includes the delivery of a deed, the signing of notes, and the disbursement of funds necessary to the mortgage transaction.

Loan-to-Value (LTV) – The ratio of the amount borrowed to the appraised value or sales price of real property expressed as a percentage.

Margin – The number of percentage points added to the index to calculate the interest rate for an adjustable-rate mortgage (ARM) at each adjustment period.

Mortgage – A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Insurance (MI) – An insurance policy which will repay a portion of the loan if the borrower does not make payments as agreed upon in the note. In the reverse mortgage program, the MIP protects the lender against the risk that the loan balance might at some time exceed the value of the home.

Mortgage Insurance Premium (MIP) – The fee paid by a borrower to FHA or a private insurer for mortgage insurance.

Note – The agreement which states the home mortgage amount to be borrowed and the terms and conditions of the loan. It also includes a completed description of how the loan should be repaid and the timeframe for repayment.

Origination Fee – The amount collected by the lender for making a loan. It is generally equal to a percentage of the principal amount borrowed. It is charged to cover the lender's costs in preparing the initial loan application and the processing of the loan.

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