REVERSE MORTGAGE FUNDING LLC

THE NEW CASE FOR REVERSE MORTGAGES AND THEIR FOUR COMMON USES

Tim Jackson

National Sales Manager - Financial Advisor Channel

Reverse Mortgage Funding, LLC

Phone: 973-970-3120

Email: tjackson@reversefunding.com

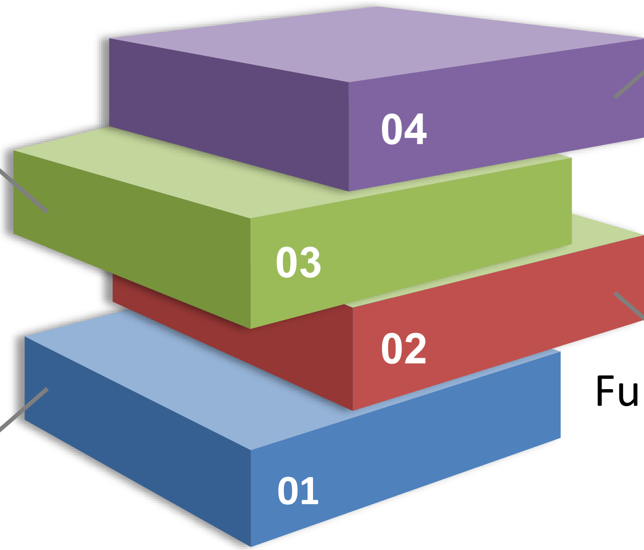
RMF Highlights
1 of every 5 FHA-Insured Reverse Mortgages

Achieved 21.4% market share in the first quarter of 2016

NATIONAL LENDER

Well capitalized, with broad institutional support

RMIT, our parent company, has raised approximately $300 million from institutional investors since 2014



Fully integrated reverse mortgage finance company

Education. Origination.

Servicing oversight. Securitization.

Leadership: Former MetLife Bank executives

Managed the market-leading reverse mortgage business

99% of Reverse Mortgages are HECMs Or "Home Equity Conversion Mortgage"

- ✓ HECM is reverse mortgage insured by the U.S. Federal Gov't*
- ✓ President Reagan -- FHA Insurance*
- ✓ HECM Program started in 1989
- ✓ Over 1 Million Americans have Used a HECM

Sources: https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome

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The HECM Program

1st

Insurance Premiums

FHA Insurance Fund†

2nd

* Guaranteed Income
* Non-recourse

580,238 Households

*Not tax advice. Consult a tax professional.

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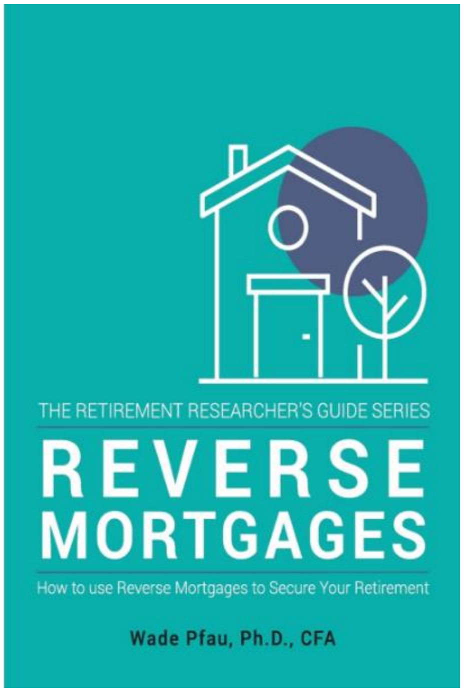
Reverse Mortgages: How to Use Reverse Mortgages to Secure Your Retirement



Wade D. Pfau, Ph.D., CFA,
Professor of Retirement Income,
The American College

"Initiating the reverse mortgage earlier and then coordinating spending from home equity throughout retirement offers a way to meet spending goals and provide a larger legacy."

"That is the ultimate goal of retirement-income planning: using assets to allow for more income and/or a larger legacy."

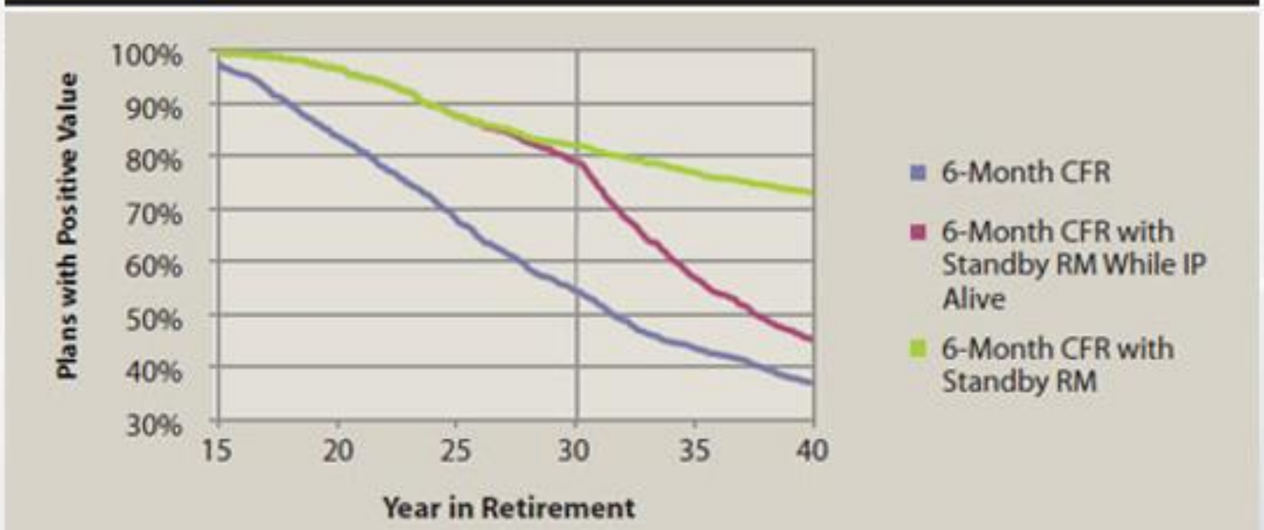
Source: Advisor's Perspectives, December 1, 2015

Journal of Financial Planning

Standby Reverse Mortgages: A Risk Management Tool for Retirement Distributions

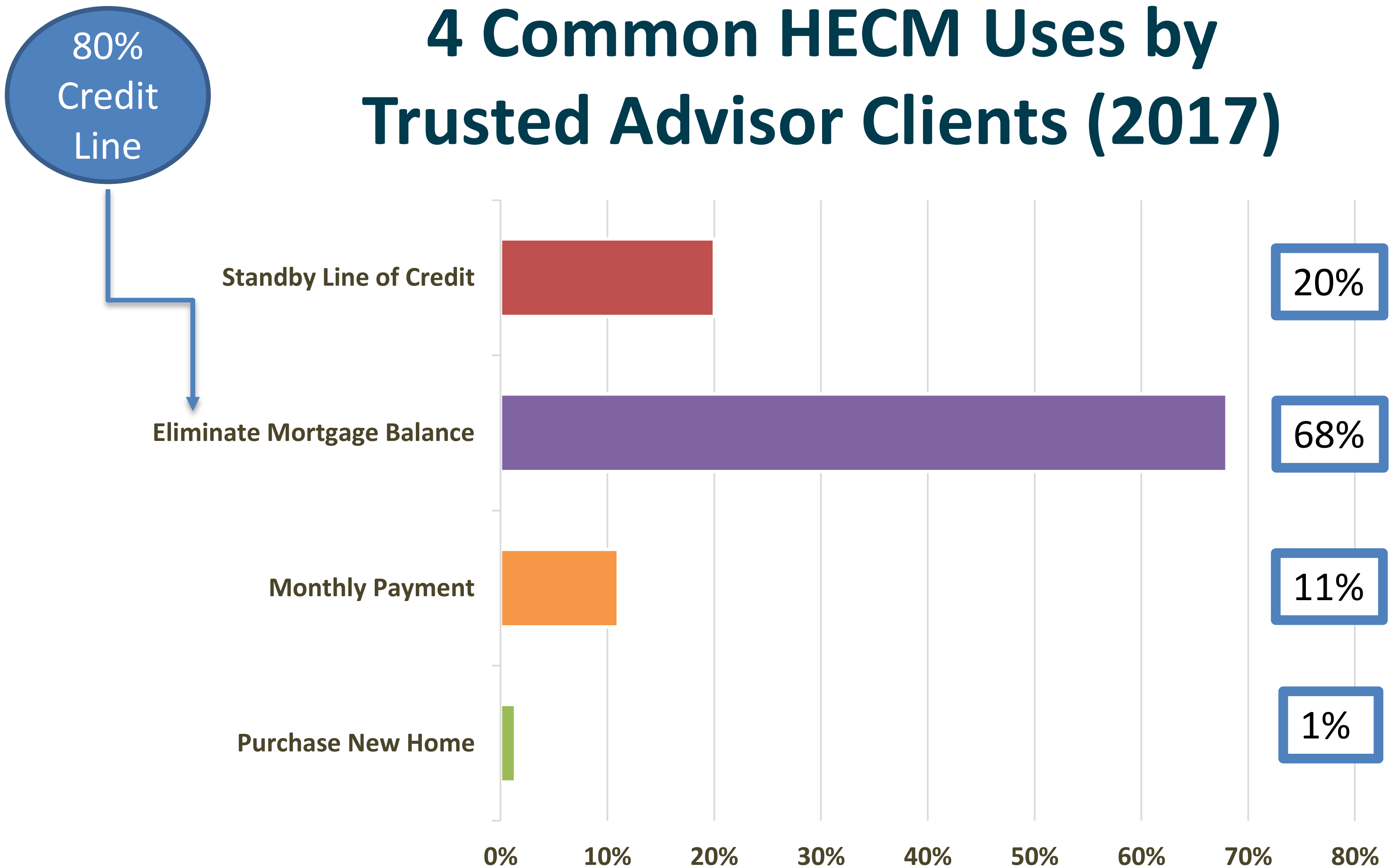
By John Salter, Ph.D., CFP®, AIFA®; Shaun Pfeiffer; and Harold Evensky, CFP®, AIF®

Figure 2: Portfolio Survival by Year in Retirement



Source: John Salter, Shaun Pfeiffer, and Harold Evensky. 2012. "Standby Reverse Mortgages: A Risk Management Tool for Retirement Distributions." *Journal of Financial Planning* 25 (8): 40–48.

4 Common HECM Uses by Trusted Advisor Clients (2017)



***As with any home-secured loan (or mortgage), the borrower must meet their loan obligations, keep current with property taxes, insurance, maintenance, and any homeowners association fees.**

Source: Total loans funded in 2017 by RMF Financial Advisor Channel.

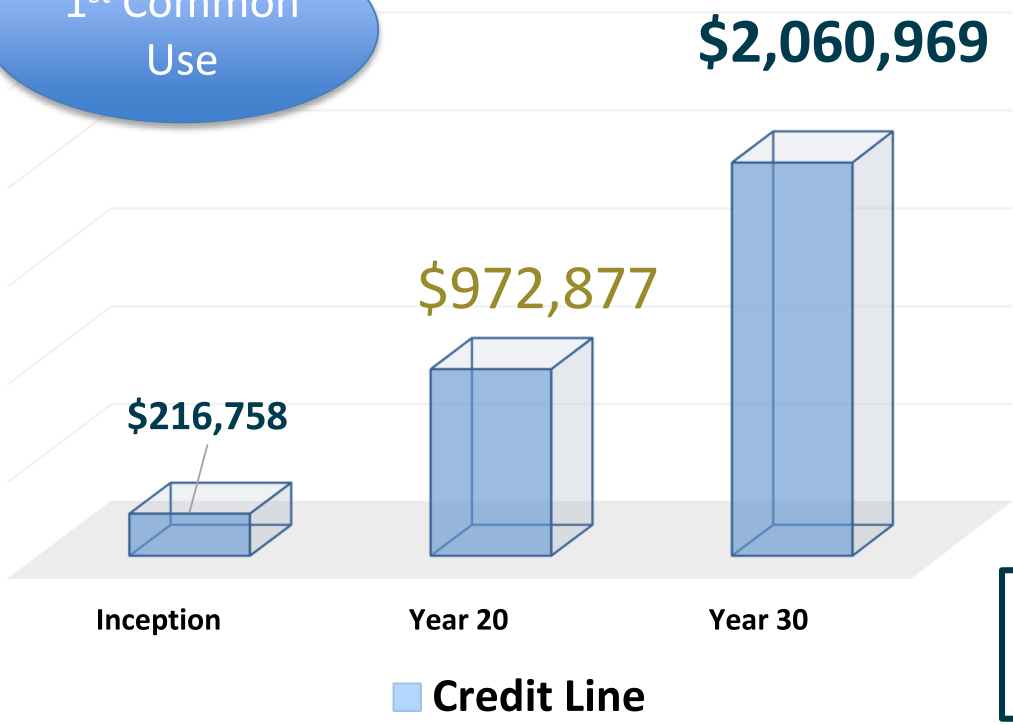
Review your 62+ Clients – 4 Common Uses

	Yes	No
1. Do you have clients (62 or older) at Risk of Outliving their Assets? (e.g. <$1 MM in investable assets)	____	____
2. Do you have clients (62 or older) who are making mortgage payments?	____	____
3. Do you have clients (62 or older) who are purchasing a home?	____	____
4. Do you have clients (62 or older) with no long term care insurance?	____	____

HECM Line of Credit (LOC) Growth*

62-year-old client with $679,650 Home Value in PA

1st Common Use



$4,500
Initial Cost

NOTEWORTHY: Line of credit is still in-force if one borrowing spouse must move to care facility, provided other spouse remains in the home. The line also remains in-force if one spouse pre-deceases the other, with same condition.

Not available in all states. Certain conditions and fees apply. Information shown for illustrative purposes only. Assumptions are: (1) 62-year-old borrower; (2) PA home valued at $679,650; (3) LOC will grow at .5% above the interest rate for an Adjustable Rate Mortgage (ARM), which uses the 1-Year LIBOR plus a margin of 4.50%. The initial interest rate is 6.689% which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 11.65%; (4) the growth rate remains at 7.53%; (5) Annual Percentage Rate (APR) is 6.65%. Maximum Annual Percentage Rate (APR) is 11.348%; (6)there are no draws taken from the line of credit by the borrower. Borrower pays down any accumulated interest annually. Rates and funds available may change daily without notice. (7) Client pays $4,450 at closing. *If part of the borrower's loan is held in a line of credit upon which they may draw, then the unused portion of the line of credit will grow in size each month. The growth rate is equal to the sum of the interest rate plus the annual mortgage insurance premium rate being charged on the borrower's loan. Charges such as an origination fee, mortgage insurance premiums, closing costs and/or servicing fees may be assessed and will be added to the loan balance. As long as you comply with the terms of the loan, you retain title until you sell or transfer the property, and, therefore, you are responsible for paying property taxes, insurance and maintenance. Failing to pay these amounts may cause the loan to become immediately due and/or subject the property to a tax lien, other encumbrance or foreclosure. The loan balance grows over time, and interest is added to that balance. Interest on a reverse mortgage is not deductible from your income tax until you repay all or part of the interest on the loan. Although the loan is non-recourse, at the maturity of the loan, the lender will have a claim against your property and you or your heirs may need to sell the property in order to repay the loan, or use other assets to repay the loan in order to retain the property.

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Start Early

	Start Early	Wait 'til 72	Wait 'til 82
LOC at Age 62	$216,758	NA	NA
LOC at Age 72	$459,231	$241,737	NA
LOC at Age 82	$972,877	$499,522	$304,716
LOC at Age 92	$2,060,969	$1,032,204	$629,660

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The Math for Calculating the Money Available

$679,650 Home Value or GREATER

X .319 Principal Limit Factor (PLF)

$216,758 Available Principal

PLF Factors Vary with

(1) Client Age and (2) Expected Rates: Lender Margin + 10-Year LIBOR Swap

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Credit Line Growth: How it Works

$216,758 **Available Line:**

X 7.53%*

$16,902 Growth in Y1

4.50%	Lender Margin	1
.50%	MIP	2
2.53%	Libor Index	3
7.53%		

$ 16,902 Growth

+ 216,758 Initial Line

$ 233,660 Available Line Y2

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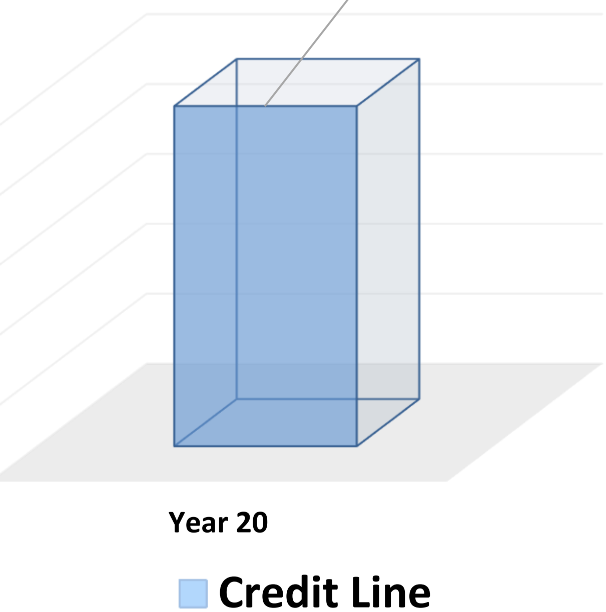
Clients can Draw $75,833 from Credit Line in Year 20

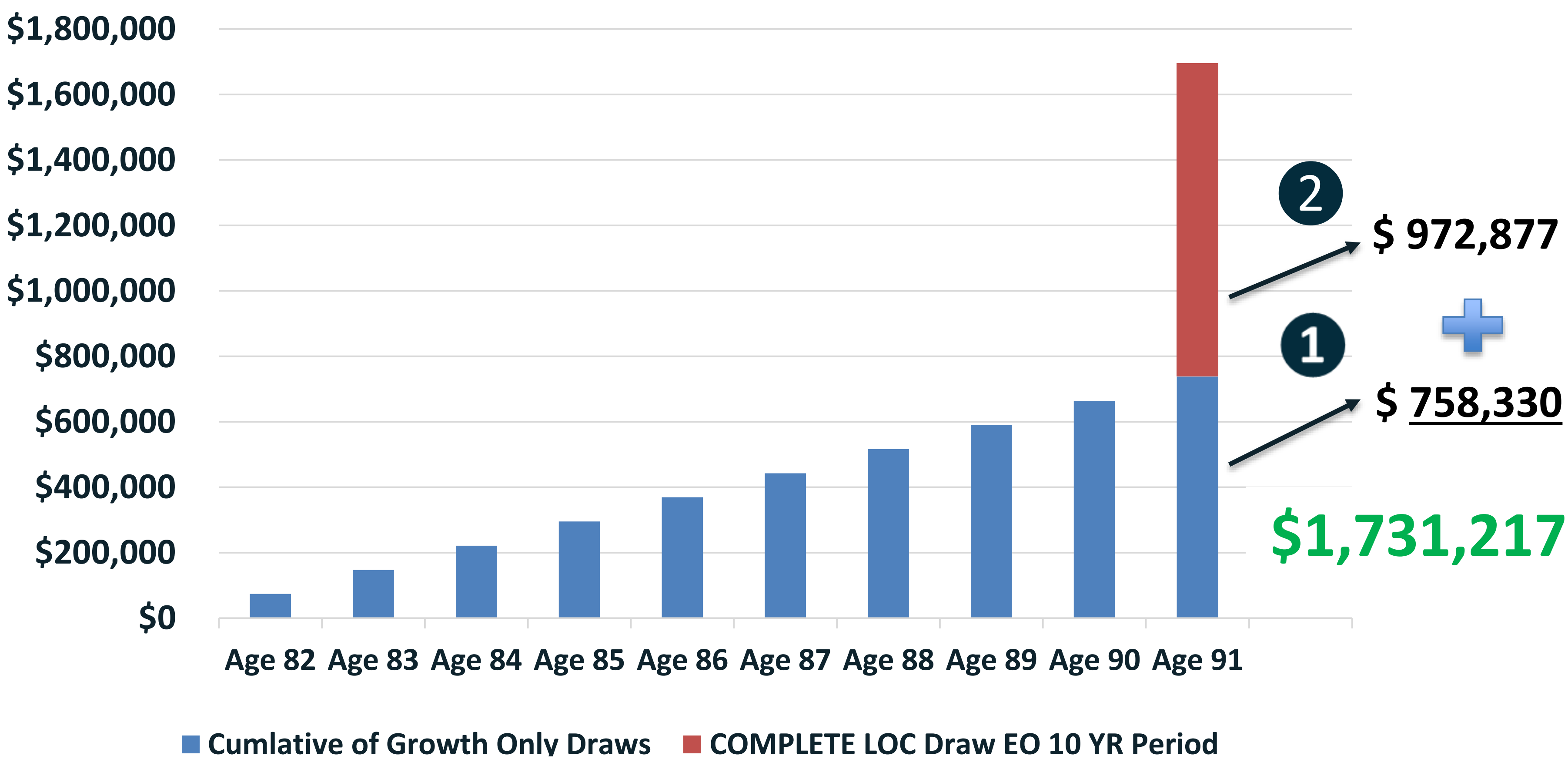
$972,887 X 7.53% = $75,833 Income-Tax-Free Funds/Year*



*Not tax advice. Consult a tax professional.

Total Draws over 10 Years: $1,731,217

1 $75,833 for 10 Years + 2 Full LOC Draw at End of Year 10



$1,653,335 is Home Value at Age 92

*Not tax advice. Consult a tax professional.

1st Takeaway

How many of your clients have no
Long-Term Care Insurance?
No Cash Reserves?
Underfunded Plans?

The Impact of Long Term Care

3 Yrs of Skilled Nursing Care:
$497,751*

HECM LOC and Health Care

87-Year-Old Couple: Al and Jenny

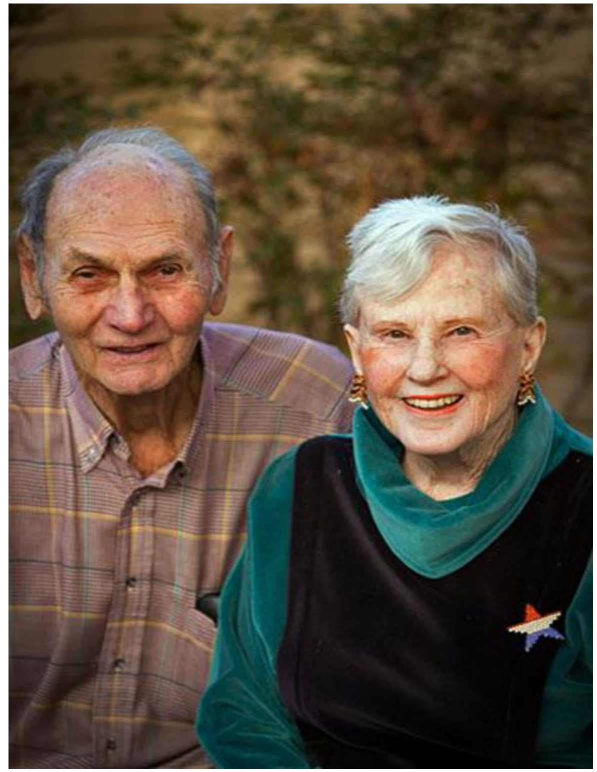
1 Year Ago:

$65,000 of Savings

$5,000 Total Income

$5,000 Monthly Expenses

$179,800 HECM LOC



Today: Jenny in LTC

LTC Costs: $3,000/Mo

Savings cover <2 year

HECM LOC >7.5 years

Assumptions are: (1) 87-year-old borrower; (2) OH home valued at $330,000; (3) LOC will grow at .5% above the interest rate for an Adjustable Rate Mortgage (ARM), which uses the 1-Year LIBOR plus a margin of 4.5%. The initial interest rate is 6.348 % which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 11.348 %; (4) the growth rate remains at 6.85%; (5) Annual Percentage Rate (APR) is 6.348%. Maximum Annual Percentage Rate (APR) is 11.348%; (6) there are no draws taken from the line of credit by the borrower. Rates and funds available may change daily without notice.

Jenny & Al with NO HECM LOC
Savings Gone in 1.5 Years

IRA Savings		$	65,000
Taxes		$	9,750
Net Withdrawals		$	55,250
LTC Coverage			1.5 Years

If Al & Jenny Started LOC at Age 62?

	Age 62	Age 87
Credit Line Day 1	$ 75,900	$ -
Credit Line Y25	**$ 462,051**	$ 210,000
LTC Coverage	**31 Years**	7.5 Years
LTC Expenses	$ 36,000	$ 36,000
Home Value	$ 220,000	$ 330,000

Not available in all states. Certain conditions and fees apply. Information shown for illustrative purposes only. [1]Assumptions are: (1) 62-year-old borrower; (2) OH home valued at $220,000; (3) LOC will grow at .5 above the interest rate for an Adjustable Rate Mortgage (ARM), which uses the 1-Year LIBOR plus a margin of 4.5%. The initial interest rate is 4.723% which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 10.723%; (4) the growth rate remains at 7.28%; (5) Annual Percentage Rate (APR) is 4.723%. Maximum Annual Percentage Rate (APR) is 9.723%; (6) there are no draws taken from the line of credit by the borrower. Rates and funds available may change daily without notice.

[2]Assumptions are: (1) 87-year-old borrower; (2) OH home valued at $330,000; (3) LOC will grow at .5% above the interest rate for an Adjustable Rate Mortgage (ARM), which uses the 1-Year LIBOR plus a margin of 4.5%. The initial interest rate is 6.348 % which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 11.348 %; (4) the growth rate remains at 6.85%; (5) Annual Percentage Rate (APR) is 6.348%. Maximum Annual Percentage Rate (APR) is 11.348%; (6) there are no draws taken from the line of credit by the borrower. Rates and funds available may change daily without notice.

If part of the borrower's loan is held in a line of credit upon which they may draw, then the unused portion of the line of credit will grow in size each month. The growth rate is equal to the sum of the interest rate plus the annual mortgage insurance premium rate being charged on the borrower's loan.


How Long Will $1 Million Last?

Jack & Jill: Retired at Age 62

2nd Common Use

IRA: $1 Million

Social Security : $47,040

Monthly Expenses: $6,500

Investment Returns: 7.93%
Standard Deviation: 7.06

How long will Jack & Jill's $1 Million Last?

- 14 years
- 22 years
- 27 years
- 31 years

What if Jack & Jill had an additional $1,428/mo in Income-Tax-Free Funds*

NO HECM

Fail **79%** of the Time

With HECM

SUCCEED **83%** of the Time

Not available in all states. Certain conditions and fees apply. The information being displayed is for illustrative purposes only. Assumptions are: (1) 62-year-old borrower; (2) OH home valued at $679,650; (3) HECM ARM Annual as of Nov. 3, 2017; (4) The initial interest rate is 6.348%, adjustable interest rate tied to 1-YEAR LIBOR with a margin of 4.50%; (5) Annual Percentage Rate (APR) is 6.348%. Maximum Annual Percentage Rate (APR) is 11.348%; (6) Rates and funds available may change daily without notice. (7) Client pays $4,450 outside of closing

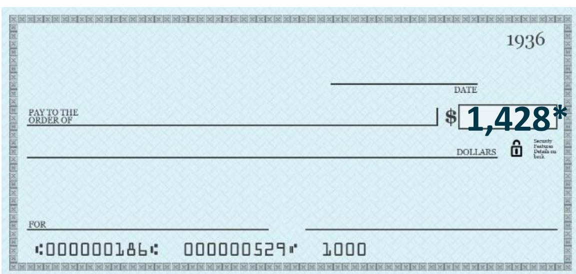
*Not tax advice. Consult a tax professional.

Source: MoneyGuidePro® "What If" Worksheet Demonstration

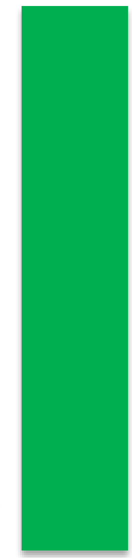
Surviving Spouse Provision

Jack and Jill Both 62-Years-Old $679,650 Home Value (PA)

$514,080



Widow continues to receive $1,428* per month



Clients get 1st Check Month 1

Jack Dies in Month 2

Total Paid over 30 years

Not available in all states. Certain conditions and fees apply. Information shown for illustrative purposes only. Assumptions are: (1) 62-year-old borrower; (2) PA home valued at $676,650; The initial interest rate is 6.65% which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 11.65. Annual Percentage Rate (APR) is 6.65%. Maximum Annual Percentage Rate (APR) is 11.348%; Client pays $4,450 at closing. As long as you comply with the terms of the loan, you retain title until you sell or transfer the property, and, therefore, you are responsible for paying property taxes, insurance and maintenance. Failing to pay these amounts may cause the loan to become immediately due and/or subject the property to a tax lien, other encumbrance or foreclosure. The loan balance grows over time, and interest is added to that balance. Interest on a reverse mortgage is not deductible from your income tax until you repay all or part of the interest on the loan. Although the loan is non-recourse, at the maturity of the loan, the lender will have a claim against your property and you or your heirs may need to sell the property in order to repay the loan, or use other assets to repay the loan in order to retain the property.

Takeaway: Do You Have Clients Like This?

1. 62 or older with mortgage payments

2. And **≥ 55%** in home equity may refinance with HECM

Snap Shot of the Average HECM client

69-year-old client with $505,000 HV, **Mortgage Payoff: $69,072**

Not available in all states. Certain conditions and fees apply. Information shown for illustrative purposes only. Assumptions are: (1) 69-year-old borrower; (2) IL home valued at $505,000; (3) LOC will grow at .5% above the interest rate Adjustable Rate Mortgage (ARM), which is based on uses the 1-Year LIBOR plus a margin of 3.375%. The initial interest rate is 5..157% which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 10.157%; (4) the growth rate remains at 6.115%; (5) there are no draws taken from the line of credit by the borrower. Interest rates and funds available may change daily without notice.

If part of the borrower's loan is held in a line of credit upon which they may draw, then the unused portion of the line of credit will grow in size each month. The growth rate is equal to the sum of the interest rate plus the annual mortgage insurance premium rate being charged on the borrower's loan.

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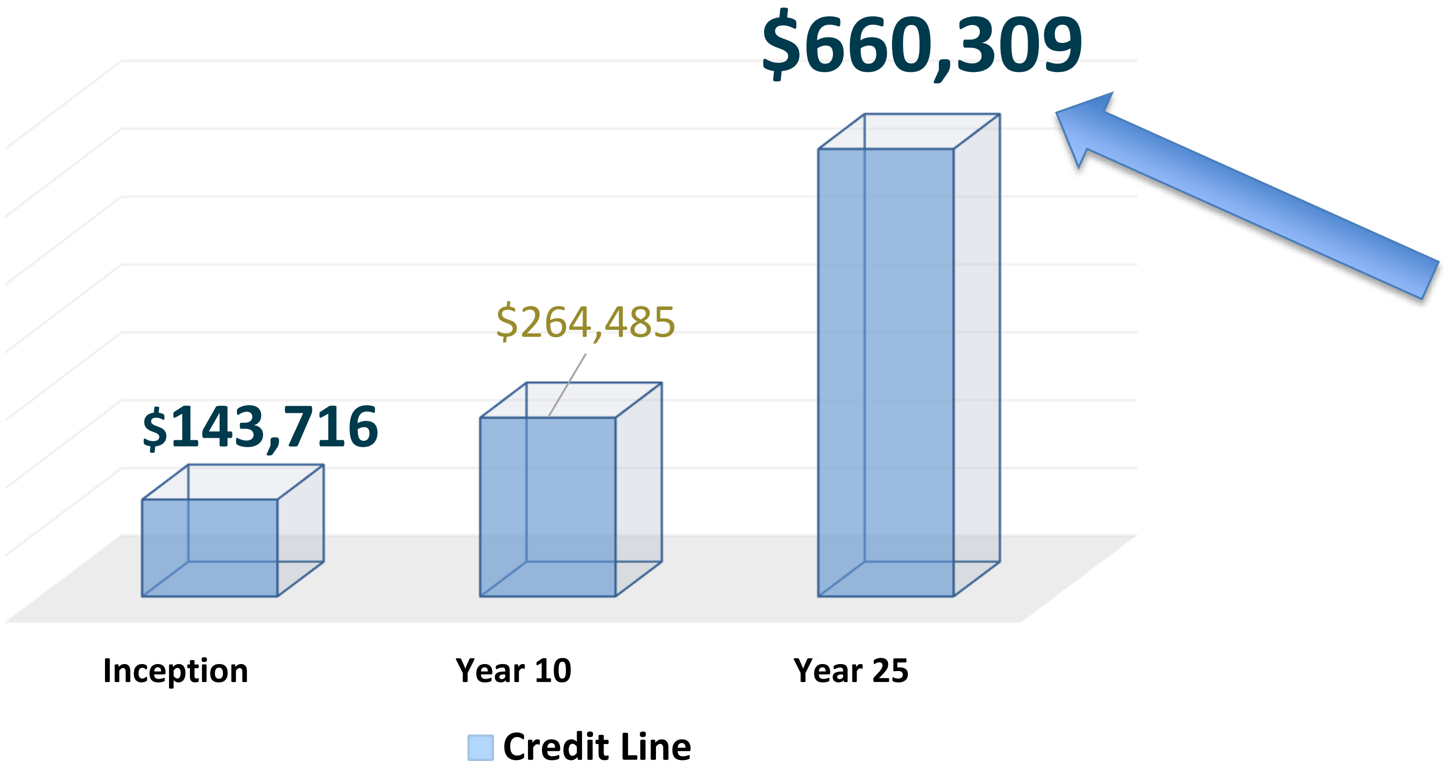
Unique Feature of HECM Credit Line

IT GROWS REGARDLESS OF HOME VALUE CHANGE



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HECM Refinance

62-Year-Old Couple: Barb and Chris

3rd Common Use

Current Retirement Picture:

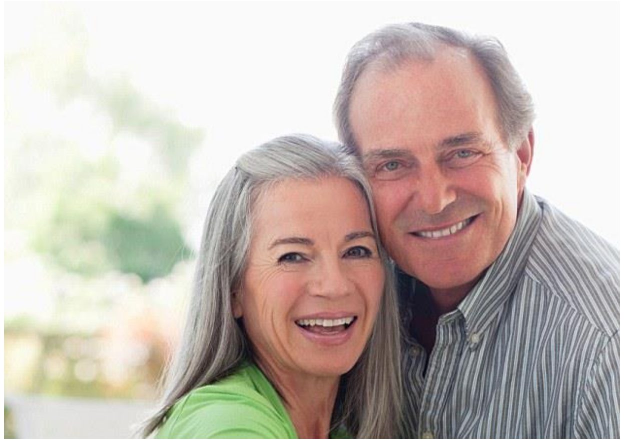
$1,000,000 in IRA

$37,500 SS Income

$6,000 Monthly Expenses

$208,500 Mortgage

$2001 P&I payments

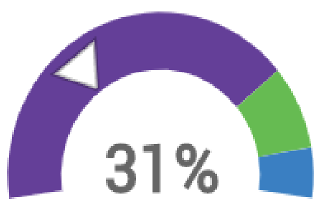
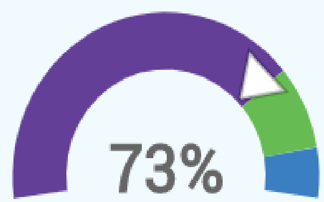
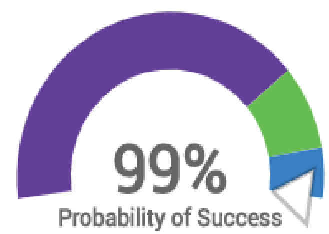


Today: Eliminate Monthly P&I Payment

Cash Out: No other HECM Benefit

Assumptions are: (1) 62-year-old couple; (2) OH home valued at $750,000; (3) LOC will grow at .5% above the interest rate for an Adjustable Rate Mortgage (ARM), which uses the 1-Year LIBOR plus a margin of 4.5%. The initial interest rate is 6.348 % which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 11.348 %; (4) the growth rate remains at 6.85%; (5) Annual Percentage Rate (APR) is 6.348%. Maximum Annual Percentage Rate (APR) is 11.348%; (6) there are no draws taken from the line of credit by the borrower. Rates and funds available may change daily without notice.

Impact of HECM's on Client's Probabilities

Goals	Estimated % of Goal Funded					
	Current Scenario		Refi into HECM		HECM for Purchase	
	Average Return	Bad Timing	Average Return	Bad Timing	Average Return	Bad Timing
Needs	88%	77%	100%	97%	100%	100%
10 Retirement - Basic Living Expense						
10 Mortgage						
Safety Margin (Value at End of Plan)						
Current Dollars	$0	$0	$270,913	$0	$1,403,179	$1,286,099
Future Dollars	$0	$0	$582,464	$0	$3,016,845	$2,765,122
Monte Carlo Results	Likelihood of Funding All Goals					
Your Confidence Zone 75% - 90% Edit	 31% Probability of Success Below Confidence Zone		 73% Probability of Success Below Confidence Zone		 99% Probability of Success Above Confidence Zone	
Total Spending	$2,538,000 Explore		$2,202,000 Explore		$1,830,000 Explore	

Irvington's Phase 2: Move Close to Children

❶ **Sale Home #1: Net $750,000**

❷ **Buy Home #2: Price $400,000**

Optimal Finance Strategy for the Barb & Chris

Home #2 Price	$400,000
Home #1 Proceeds:	- 200,000
HECM Purchase:	**- 200,000**

1 → 2

NO Payments Required and…Excess Home #1 Proceeds $300,000

3

99%

4th Common Use

Buying a Home with a HECM

65-Year-Old Couple Buying a $679,650 Condo

$679,650 Purchase Price

Option A

$376,684

+

$302,965

Option B

$376,684

+

$302,965

HECM for Purchase

Not available in all states. Certain conditions and fees apply. The information being displayed is for illustrative purposes only. Assumptions are: (1) 65-year-old borrower; (2) OH home purchase value is $679,650; (3) HECM Fixed as of Nov. 3, 2017; (4) The initial interest rate is 4.30%; (5) Initial Cash from Borrower is $376,684; (6) Initial Draw from HECM is $302,965; (7) Annual Percentage Rate (APR) is 4.30%. Maximum Annual Percentage Rate (APR) is 4.30%. Rates and funds available may change daily without notice. This down payment range assumes closing costs will be financed into the loan. The information being displayed is for illustrative purposes only. Actual cash required may vary and is based on age of youngest borrower, interest rate, home value, and other factors.

Takeaway

How many of you clients are not in the Confidence Zone?
Or have Underfunded Plans?

Now What?

Risk Assessment Worksheet

Risk Assessment Worksheet

Analysis Requested By:	
Financial Advisor Name:	

Client Name	Co-Client	Age of Youngest Client	Total Savings	Monthly Cash Flow Surplus	Mortgage Payment (Y or N)	LTCI (Y or N)	Probability of Success (%)	Cash Reserve (Y or N)	Downsizing Plans (Y or N)
John S.	Jane S.	62	$500,000	-$2,000	Yes	No	12%	No	Yes
Fred F.	Wilma F.	66	$400,000	$1,500	Yes	No	44%	No	No

Get a Free a Client Illustration

Required Information:

1. Age of Youngest Client
2. Estimate Home Value
3. Total Mortgage Debt (if any)
4. Zip Code

Tim Jackson
National Sales Manager
Financial Advisor Channel
Cell: (973) 970-3120
email: tjackson@reversefunding.com

Additional Materials

FHA-insured* HECM Program

Available for single-family property, HUD-approved condo, or up to 4-unit home (HECM for Purchase not available on multi-unit properties.)

The home must be their primary residence

Proceeds can be used to refinance a property or purchase a home

Can be used to pay off a first mortgage or HELOC

A HECM cannot be reduced, called or canceled, as long as the terms of the loan are met

Clients downsizing or rightsizing can use a HECM to finance the purchase of their new home

As with any home-secured loan (or mortgage), the borrower must meet their loan obligations, keep current with property taxes, insurance, maintenance, and any homeowners association fees. As long as these obligations are met, the loan does not have to be repaid until the last surviving borrower (or qualified non-borrowing spouse) passes away, sells the home or moves out.

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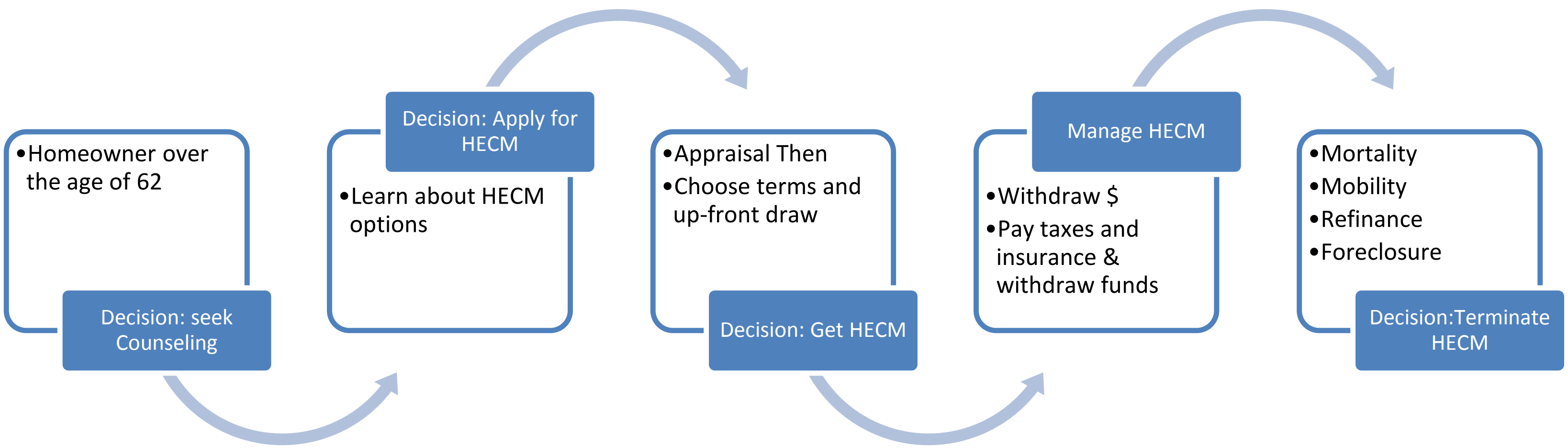
How Reverse Mortgages Work



- The percentage of the house value that can be borrowed (Principal Limit Factor) = a function of borrower's age (+) and the loan's interest rate (-). Typically 30%-70% of house value.

- The house value = the lesser of the appraised value of the property or the maximum loan amount for that area of the U.S. (currently $679,650 nationally)

How am I Protected?

- Reverse Mortgages are **Non-Recourse** loans (borrower can never owe more than the appraised value of the home at time of repayment)
- Advance Loan Disclosures and Loan Illustrations are provided at time of application
- Counseling is required for all Reverse Mortgage Applicants – provided by HUD, AARP and other reputable organizations

RMF

REVERSE MORTGAGE FUNDING LLC

EQUAL HOUSING LENDER

NRMLA

National Reverse Mortgage Lenders Association

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