LARGER LEGACY

A POST-SEMINAR RESOURCE FOR ADVISORY FIRMS

Bring home equity into the planning conversation.

A calm, practical way to identify appropriate scenarios, compare tradeoffs, and coordinate a client review without starting an application.

- Education first
- Advisor coordinated
- No obligation

USE THIS KIT WHEN

The client's housing wealth may change the retirement plan.

01 Cash flow or mortgage pressure

02 Sequence-of-returns exposure

03 Care, repairs, or reserve needs

04 A move that should preserve liquidity

> Begin with the planning question. A product discussion comes later, if the facts support it.

Six field-ready resources

For advisor conversations, client follow-up, and coordinated scenario reviews.

INSIDE THIS KIT

Six field-ready resources

For advisor conversations, client follow-up, and coordinated scenario reviews.

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RESOURCE 01 | SPOT OPPORTUNITIES

When home equity belongs in the retirement conversation

The question is not “Does the client need a reverse mortgage loan?” It is “Would evaluating housing wealth improve the plan?”

01

Cash flow pressure

A mortgage payment or planned spending is crowding out the retirement plan.

02

Sequence risk

The client may need to sell investments during a weak market to fund spending.

03

Reserve capacity

A standby source could support repairs, taxes, care, or an uneven income year.

04

Housing transition

The client wants to right-size, relocate, or buy a different home while preserving liquidity.

05

Home-centered planning

A large share of net worth is in the home and the client expects to remain there.

PAUSE BEFORE PROCEEDING

Five reasons the strategy may not fit

- ○ The client expects to move in the near term.
- ○ Property charges or maintenance are not sustainable.
- ○ A lower-cost or simpler source of funds clearly fits better.
- ○ There is not enough equity or available cash for the proposed structure.
- ○ The family's goals require preserving the home without debt.

BUILD THE SHARED FACT PATTERN

Six inputs for a useful review

01 Age and household

02 Home value and debt

03 Residence horizon

04 Cash flow and taxes

05 Portfolio risk

06 Family priorities

WHO DOES WHAT

The advisor leads the plan. Ben tests the scenario.

ADVISOR ROLE

Define the planning objective.

Frame the cash-flow, tax, investment, care, housing, and legacy priorities that the illustration must respect.

BEN'S ROLE

Translate the objective into a testable scenario.

Prepare a preliminary illustration, explain program mechanics, and return the tradeoffs to the advisory team.

> **An illustration is not an application.**

RESOURCE 02 | CLIENT OPPORTUNITY SCREEN

Client opportunity screen

Answer from the facts already known. “Not sure” is useful because it identifies the next planning question.

01	**Is at least one prospective borrower age 62 or older?** Age 62 is the federal minimum for a HECM borrower.	Yes	Not sure	No
02	**Does the client expect to keep this home as a principal residence?** A longer residence horizon usually makes the upfront costs easier to evaluate.	Yes	Not sure	No
03	**Is there meaningful equity or cash available for the proposed structure?** The amount available depends on age, rates, value, program limits, and existing liens.	Yes	Not sure	No
04	**Would removing a required monthly principal and interest payment improve the plan?** Taxes, insurance, assessments, maintenance, and occupancy obligations continue.	Yes	Not sure	No
05	**Could a reserve reduce forced portfolio withdrawals during a down market?** This is a planning question, not a promise of better investment results.	Yes	Not sure	No
06	**Are care costs, home modifications, or a private-pay bridge part of the discussion?** Benefits eligibility and estate recovery require individualized guidance.	Yes	Not sure	No
07	**Is the client considering a move while also trying to preserve liquid assets?** HECM for Purchase can be modeled beside an all-cash purchase.	Yes	Not sure	No
08	**Can the client and family discuss the effect of a growing loan balance on future equity?** Clear expectations for heirs are part of a complete review.	Yes	Not sure	No

0 OF 8 PROMPTS ANSWERED

Complete a few more prompts.

The screen becomes more useful after the core eligibility and planning questions are answered.

EXPLORE CLARIFY PAUSE

Your answers stay in this browser and are not submitted or saved.

RESOURCE 03 | HEIRS

Four outcomes for heirs

Start with two questions. The likely path becomes easier to explain when equity and family intent are separated.

1 **Is the home worth more than the HECM balance?** Yes No

2 **Does the family want to keep the home?** Yes No

LIKELY PLANNING PATH

Choose both answers to see the likely path.

The result is a conversation guide. The servicer provides the controlling payoff figures and instructions.

	FAMILY WANTS TO KEEP THE HOME	FAMILY DOES NOT WANT TO KEEP IT
Home worth more than the HECM balance	**Keep the home and preserve remaining equity** Heirs can use other assets or new financing to repay the amount due. When the balance is below the home value, the remaining equity stays with the estate.	**Sell the home and retain remaining equity** The estate can market the home, repay the HECM from sale proceeds, and retain the remaining equity after selling costs and other claims.
Home worth less than the HECM balance	**Keep the home using the federal payoff protection** Eligible heirs may generally satisfy the debt for the lesser of the loan balance or 95% of the current appraised value. Servicer instructions and deadlines matter.	**Resolve the property without inheriting the shortfall** A HECM is nonrecourse. The estate can work with the servicer on a sale or other approved resolution, and heirs are not personally responsible for a deficiency.

AFTER THE LAST BORROWER PASSES AWAY

The verified timeline has two clocks.

The 30-day response period follows the due-and-payable notice. The six-month period is HUD's deadline for the servicer to start foreclosure unless HUD approves more time.

First, check for a surviving-borrower or spouse deferral.

The HECM becomes due and payable when the last borrower passes away and no surviving borrower occupies the home. A qualifying Eligible Non-Borrowing Spouse may receive a deferral while all program requirements remain satisfied.

NOTICE AND RESPONSE

30 days

From the date of the due-and-payable notice, the estate or heirs have 30 days to engage with the servicer about paying, selling, or providing a deed in lieu.

FORECLOSURE DEADLINE

6 months

The servicer must generally take the first legal action to initiate foreclosure within six months of the last borrower's death, or the end of a deferral period.

CONDITIONAL EXTENSIONS

Up to 2 × 90 days

The estate or heirs request time from the servicer, and the servicer requests HUD approval. Evidence of active marketing or attempts to satisfy the balance is required.

Important: six months plus as many as two 90-day extensions is possible.

It is not an automatic 12-month grace period. Each extension is conditional, must be documented, and must be requested before the current deadline expires. The servicer's written notice and instructions control the individual file.

FIRST-PARTY SOURCES

- 24 CFR § 206.125(a)
- HUD Handbook 7610.1, pp. 130–131
- HUD Mortgagee Letter 2015-10, pp. 9–10

RESOURCE 04 | COMPARE OPTIONS

HECM line of credit or HELOC?

Neither is universally better. The useful comparison is cost, qualification, payment structure, and durability of access.

PLANNING FACTOR	HECM LINE OF CREDIT	TRADITIONAL HELOC
Primary fit	Homeowners age 62+ seeking flexible access without a required monthly principal and interest payment.	Borrowers who qualify on income, credit, and equity and can manage required payments.
Monthly payment	No required monthly principal and interest payment. Voluntary payments are allowed.	Required payments begin under the note, often interest-only during the draw period.
Access period	Available while program obligations are met and the loan remains in good standing.	Defined draw period, followed by repayment or renewal under the agreement.
Unused capacity	The available line can grow under the program formula. It is borrowing capacity, not interest earned.	The unused line does not grow automatically.
Line changes	Not reduced merely because the home value later declines, provided loan obligations are met.	May be frozen or reduced in circumstances allowed by the agreement and federal rules.
Qualification	Age, property, equity, financial assessment, counseling, and program rules apply.	Income, credit, debt-to-income, property, and lender underwriting apply.
Costs	Mortgage insurance, origination, appraisal, title, and other closing costs may apply.	Often lower upfront costs, but annual, appraisal, early-closure, or other fees may apply.
Best planning question	Does durable access and payment flexibility justify the cost and growing balance?	Does lower initial cost outweigh payment, renewal, and line-management risk?

RESOURCE 05 | UNDERSTAND COSTS

Cost and rate anatomy

Use the same language across the advisory team so the illustration can be reviewed without false precision.

Expected rate	Used with the youngest borrower's age to help determine the initial principal limit. It is not necessarily the rate charged to the loan balance.
Note rate and margin	The adjustable note rate combines the 10-yr CMT and lender margin. It affects interest charged and available-line growth.
Upfront mortgage insurance	FHA's upfront mortgage insurance premium for a HECM is 2% of the appraised value or maximum claim amount.
Annual mortgage insurance	The annual premium is 0.5% of the outstanding balance and accrues monthly to the loan.
Origination fee	The permitted fee is generally the greater of $2,500 or 2% of the first $200,000 of value plus 1% above that amount, capped at $6,000.
Third-party costs	Appraisal, title, recording, counseling, inspection, and other closing charges vary by property and transaction.
Line-of-credit growth	Unused borrowing capacity grows under the program formula based on the note rate and mortgage insurance. It is not investment income or home appreciation.
Voluntary repayment	Borrowers may repay principal and interest without a required monthly schedule, subject to the loan terms.

The payment obligation that does not disappear

The borrower must continue to occupy the home as a principal residence, pay property taxes and insurance, and maintain the property.

RESOURCE 06 | REFER A SCENARIO

A clean advisor-to-Ben referral

Advisor remains in the planning loop and first conversation is always exploratory.

01 **Advisor identifies a planning question**
Start with the client goal, not the product.

02 **Warm introduction**
Share only the context the client approves.

03 **Preliminary fact-find**
Date of birth, address, current mortgage balance (including 2nd or HELOC), and current estimated property value.

04 **Exploratory illustration**
Model proceeds, costs, and alternatives. No application is needed.

05 **Joint tradeoff review**
Advisor, client, and Ben test the fit against the broader plan.

06 **Independent HUD counseling**
Required counseling supports informed decision-making.

07 **Formal process, if chosen**
Application, appraisal, underwriting, and closing.

08 **Ongoing coordination**
Keep distributions and future reviews aligned with the plan.

COPY-READY INTRODUCTION

Coordinate a scenario

> “Ben, I’d like to introduce you to [Client]. We discussed whether home equity should be evaluated alongside the rest of their retirement plan. This is exploratory only.”

Copy full advisor introduction

LARGER LEGACY

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A preliminary conversation or illustration is not an application and creates no obligation.

REFERENCE DESK

Official sources and review notes

Program rules change. Confirm current requirements for every client and transaction. Sources reviewed July 2026.

HUD
Housing Counseling Handbook 7610.1

HUD
Home Equity Conversion Mortgage program

eCFR
24 CFR Part 206

CFPB
Reverse mortgage loan consumer guide

CFPB
Options for heirs

CFPB
HELOC guide

HUD
Mortgagee Letter 2015-10

LARGER LEGACY

EQUAL HOUSING LENDER

Advisor's Reverse Mortgage Loan Planning Kit. Prepared as an educational follow-up for advisory firms.

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