America's Community Bankers Shaping Our Future

August 15, 2006

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Docket No. OP-1253
Home Ownership and Equity Protection Act Hearings
71 FR 26513 (May 5, 2006)

Dear Ms. Johnson:

America's Community Bankers (ACB)[1] appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (the Board) inquiry regarding disclosures to consumers required under regulations to implement the Home Ownership and Equity Protection Act (HOEPA) and the Truth in Lending Act (TILA). We commend the Board for holding hearings this summer to gain insight on these important issues from a broad spectrum of industry participants and representatives.

The Board, in its hearings and request for comments, focused on a wide range of topics related to consumer disclosures and educational materials. Our comments are intended to help the Board in its pending review of Regulation Z, with emphasis on alternative mortgage products and reverse mortgages.

The Need for Meaningful Disclosure

ACB believes that prudent lending necessitates that borrowers be well educated about mortgages. ACB strongly supports enhancing a consumer's ability to shop for, obtain and understand the terms of a mortgage loan. We believe these goals may be accomplished by comprehensive reform of TILA through the rulemaking process so that any new or different disclosure requirements apply to all mortgage lenders. Further, we believe that the details of any changes to consumer disclosure requirements should be structured to improve the process by

[1] America's Community Bankers is the member driven national trade association representing community banks that pursue progressive, entrepreneurial and service-oriented strategies to benefit their customers and communities. To learn more about ACB, visit www.AmericasCommunityBankers.com.

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which consumers obtain mortgage loans, without disrupting the smooth operation of mortgage markets or significantly increasing the regulatory burden on lenders.

Innovation in mortgage products has enabled more Americans than ever before to build wealth through homeownership. This has occurred without an increase in delinquencies or foreclosures. To support the continued expansion of homeownership in this country, unnecessary regulatory burdens must not be imposed on lenders.

Further, in its consideration of revisions to Regulation Z, the Board should work with the other federal agencies to ensure that the requirements of other consumer protection laws are met and that the requirements are not in conflict. Particular attention should be paid to making sure that any reform of Regulation Z does not conflict with any of The Department of Housing and Urban Development's (HUD) rules and regulations concerning the Real Estate Settlement Procedures Act (RESPA)[2].

ACB also commends the Board for its proposed initiative[3] to include consumers and lenders in a study, the purpose of which is to develop and test consumer disclosures. We believe that it is critical for consumers to understand completely the terms of all loans made to them. This is especially important because of the proliferation of alternative and reverse mortgages with terms that may be more complex than traditional 30-year fixed rate loans.

Many current regulatory consumer disclosures are too confusing and voluminous to be useful. As a result, much of the information provided by lenders under the current regulatory requirements is ignored or overlooked by the average consumer. ACB believes that testing of disclosure information with consumers could result in disclosures more concise, clear, and meaningful to consumers providing information that consumers want and need. ACB believes that the development of simple, understandable disclosures should involve all of the parties with an interest in the mortgage lending industry.

ACB believes that the disclosure of key product and credit terms associated with various types of mortgage products should come as early as possible during the shopping and application process. However, providing disclosures earlier, than required by RESPA and Regulation Z, of costs for a specific loan likely would result in unintended negative consequences for lenders. Disclosures required in the early stages of shopping or the application process should be meaningful, but general in nature, because an accurate disclosure of costs necessitates an analysis of a borrower's creditworthiness and collateral. Obtaining the borrower's information on credit history and collateral is costly and requires payment to third parties (e.g., credit repositories, appraisers, etc.). Therefore, any early disclosures provided with limited information necessarily must be estimated and conditioned on final underwriting. Any proposal for early disclosures should be carefully considered to assure that the proposal provides useful information to the consumer, without resulting in compliance concerns for lenders.

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[2] 24 CFR Part 3500 *et. seq.*
[3] 71 FR 13397 (March 15, 2006)

ACB also encourages the Board to commit additional resources to financial literacy. The best way for consumers to choose the mortgage product that best meets their needs is to collect and understand the terms, benefits, and drawbacks of the available products before they begin the process of finding a home. As the range of mortgage products continues to expand, the need for financial education becomes increasingly important. We believe that the Board can help greatly by continuing to foster its commitment to consumer education regarding the array of mortgage products.

Alternative Mortgages

Myriad mortgage products have been developed since Regulation Z was last amended. Therefore, ACB believes that Regulation Z should now be amended to provide clear and concise information to consumers regarding the unique features of alternative mortgage products such as Option ARMs and Interest Only ARMs.

As we stated in our comment letter on the proposed Interagency Guidance on Nontraditional Mortgage Products[4], ACB firmly believes that any new mortgage disclosure requirements should be implemented by amending Regulation Z through the rulemaking process. (Our comment letter is attached.) Efforts to alter or expand consumer disclosure requirements through mechanisms like the proposed Interagency Guidance on Nontraditional Mortgage Products are ill advised. Disclosure requirements implemented through federal banking agency guidance would apply only to regulated depository institutions, leaving consumers exposed to inadequate disclosures by less regulated entities. Any mandate for new or different disclosure requirements should be implemented by amending Regulation Z so that they apply to all mortgage lenders.

One issue of serious concern to ACB was raised in the Interagency Guidance and also during the Board's public hearings. Several of the consumer representatives stated that lenders should be responsible for deciding whether an alternative loan product is suitable for a particular borrower, based on the borrower's specific circumstances. We believe that the notion of imposing a "suitability" standard on lenders is a very serious mistake. The bank's responsibility is to ensure they underwrite a safe and sound loan that is within their underwriting policy. Lenders also have responsibility to provide borrowers with sufficient information for them to clearly understand the loan terms and associated risks, we do not believe it is appropriate or possible for the lender to identify or dictate the best mortgage product for individual consumers. For example, one borrower may place a higher priority on retiring of debt, while another may place a higher priority on current cash flow.

[4] 70 FR 77249 (December 29, 2005)

Reverse Mortgages

Within the past few years, there has been significant growth in the reverse mortgage market. ACB believes that the demand for reverse mortgages will continue to grow in coming years due to the expected changes in the demographics in the United States.

ACB member banks have a keen interest in serving the needs of elderly citizens in their communities by offering more reverse mortgage products. These mortgages can enable many senior citizens to enjoy a secure and comfortable retirement. However, ACB recognizes that under the wrong circumstances, reverse mortgages can be detrimental to senior homeowners. The critical element for a homeowner in determining the appropriateness of a reverse mortgage lies in a full understanding of all terms, benefits and drawbacks of the loan. While this is true for every type of mortgage, it is especially critical for reverse mortgages because of their unique and somewhat complicated characteristics.

The Board's request for comments asks whether "current Regulation Z requirements are adequate to inform consumers about the costs of reverse mortgages and to ensure that they understand the terms of the product." ACB believes that current disclosure requirements are meaningful and adequate to convey necessary information to consumers regarding reverse mortgages.

Further, the Board asked whether "in reverse mortgages that are not insured by HUD, is counseling offered to applicants." Typically, ACB member banks not only offer counseling, they require it. We believe that prudent lending necessitates that borrowers be educated about these mortgages and have an opportunity to have all their questions answered in a confidential setting.

ACB has a strategic partnership with a financial institution, Financial Freedom™, that purchases and services reverse mortgages originated by our member banks. Financial Freedom™ was instrumental in the development of the reverse mortgage concept in the United States back in the late 1990s and currently they are the largest retail and wholesale originator of reverse mortgages in the country. Financial Freedom™ helps to train ACB member banks on interacting with and educating homebuyers, as well as how to close a reverse mortgage. We have attached to this letter a brochure entitled "Is A Reverse Mortgage Right for You?" developed by Financial Freedom™ to help consumers understand the factors to consider before obtaining a reverse mortgage.

This brochure is the most comprehensive, understandable, plain-language literature that we have seen regarding reverse mortgages. It covers all features of reverse mortgages including product information, disclosures, costs involved in closing the loan, other financial implications, alternatives to reverse mortgages, and many other items. We offer this in hopes that it might assist the Board's development of its own educational material for reverse mortgages.

Conclusion

ACB appreciates this opportunity to comment on these important issues. We are deeply committed to assisting the Board in its review and possible amendment of consumer disclosure regulations. This endeavor is critically important to the continued efficiency of the mortgage lending community in serving the American consumer and we look forward to ongoing work with the Board on these issues. If you have questions or would like additional information, please contact the undersigned at 202-857-3129 or jfrank@acbankers.org.

Sincerely,

Janet Frank

Janet Frank
Director, Mortgage Finance

Attachment: Brochure "Is A Reverse Mortgage Right for You?"

Is A Reverse Mortgage Right For You?

Factors To Consider In Making The Right Decision

Financial Freedom

THE REVERSE MORTGAGE SPECIALIST A SUBSIDIARY OF INDYMAC BANK, F.S.B.

Thank you for considering a reverse mortgage loan from Financial Freedom.

As you may know, a reverse mortgage loan is a very special type of loan that permits borrowers to convert some of the equity in their home to cash. Instead of paying the lender, the lender pays you, the borrower. Reverse mortgages can give senior homeowners the funds they need to lead a more secure and enjoyable retirement, repair their house, or potentially pay for long-term care and other necessary expenses, while allowing them to continue to live in their own homes for as long as they want. **However, reverse mortgages may not be suitable in every circumstance.** We've prepared this brochure to explain in plain language this very special loan and both the circumstances where the product may or may not be well suited to meet your financial needs or expectations. Of course, like any discussion that is by necessity general in nature, you may have unique requirements that are not fully addressed in this brochure. We therefore recommend that you share this pamphlet and discuss these matters with your trusted advisors, including your children, other members of your family, as well as your financial, legal and tax consultants.

At various times throughout the application and closing process for your reverse mortgage loan, you will be provided with detailed and special disclosures tailored to your particular circumstances and loan application. Please read them very carefully and make sure you fully understand them. Please go over them with your trusted advisors. Please understand that these particular disclosures are meant just for you, and that, if they are different in any respect from the information in this brochure, it is the particular disclosures that count rather than the words of this brochure.

REVERSE MORTGAGE BASICS

Under a reverse mortgage you do not make monthly mortgage repayments and you do not need income to qualify. As is the case with a traditional forward mortgage, you retain title to your home while your property is pledged to the lender as security for the loan. You remain responsible to pay taxes, insurance, and any other obligations that might create a lien on the property, as well as to maintain the property. Some or all of the cost of setting-up the loan can generally be paid with loan proceeds advanced at closing.

The amount of loan proceeds available to you depends upon a variety of factors including the appraised value of your home, your age, the cost of the loan, and regional or overall program limits set by the Federal Housing Administration or loan investors. Generally, the lower the age of the borrower (and therefore the longer the borrower's life expectancy), the smaller the loan amount for which you may qualify. As you might expect, the higher the home value, generally the higher the loan amount for which you may qualify. Finally, the higher the interest rate and the costs and fees associated with originating the loan, the lower the loan amount.

Over time, the loan balance of a reverse mortgage will rise. It grows because the borrower may continue to receive loan advances and is being charged interest on the outstanding loan balance while no repayment is being made until a future time. No repayment is required under a reverse mortgage as long as you, the borrower, live in the home as your principal residence. When the last surviving borrower dies, sells the home, or permanently moves away, the full loan balance becomes due and payable. Even when due, there is a limit on the amount of the borrower's repayment obligation, known as a "non-recourse" limit. Quite simply, a "non-recourse" limit means that the total amount owed by the borrower can never exceed the value of the home (after deducting the costs of sale) at the time the loan becomes due and payable.

There are currently two basic types of multi-purpose reverse mortgages, the federally-insured Home Equity Conversion Mortgage (commonly referred to as the "HECM") which currently accounts for approximately 90% of the reverse mortgages originated in the United States, and proprietary reverse mortgages developed and sponsored by private lenders, most notably the "Home Keeper" sponsored by Fannie Mae and the "Cash Account" sponsored by Financial Freedom Senior Funding Corporation. These are "multi-purpose" reverse mortgages because you may use the loan proceeds for any purpose you wish. In addition, some state and local government agencies offer single-purpose reverse mortgages that are available for a single limited purpose, such as home repair or the payment of property taxes. If your needs are limited to these purposes, you may wish to investigate whether a state or local government agency in your area offers such a program. While these programs generally have maximum income eligibility requirements, their total cost is usually less than the multi-purpose reverse mortgage programs currently available and some programs may even forgive the principal balance of the loan after a certain period of time.

For multi-purpose reverse mortgage programs, borrowers generally may choose from among different options for receipt of their loan proceeds, and to the extent undisbursed loan proceeds remain, the payment option can be changed at any time. The following options generally are currently available in most states:

Tenure - *The borrower receives equal monthly payments from the lender as long as the home is occupied as the borrower's principal residence.*

Term - *The borrower receives equal monthly payments for a period of months as selected by the borrower (not available with the Home Keeper).*

Line of Credit - *The borrower may draw loan proceeds in amounts and at times he/she chooses until the credit line is exhausted.*

Modified Term - *The borrower may combine a line of credit with monthly payments for a number of months selected by the borrower (not available with the Home Keeper).*

Modified Tenure - *The borrower may combine a line of credit with monthly payments as long as the home is occupied as the borrower's principal residence.*

REVERSE MORTGAGE COSTS

Many of the same costs that one pays to obtain a home purchase loan, or to refinance their existing mortgage, apply to reverse mortgages too. You can expect to be charged an origination fee, up-front mortgage insurance premium (for the HECM), an appraisal fee, and certain other standard closing costs.

Generally, reverse mortgages have significant upfront closing costs. For borrowers who move out, sell their home or pass away within a few years of taking out the loan, a reverse mortgage can be an expensive option. However, the longer a reverse mortgage is in place, the lower its overall annual average cost.

In most cases, loan fees and costs are capped and may be financed as part of the reverse mortgage. Below is a more in-depth explanation of each type of fee.

» ***Origination Fee***

The origination fee helps cover a lender's costs and expenses—including office overhead—for making the reverse mortgage.

Under the HECM program, the origination fee is equal to the lesser of 2 percent of the value of the home or 2 percent of an amount established by the Department of Housing and Urban Development ("HUD") (called the "maximum claim amount"), but at least $2,000. Home Keeper and Cash Account borrowers are charged an origination fee that may not exceed 2 percent of the value of the home. With either loan, the entire amount of the origination fee may be financed as part of the mortgage and so you need not pay it in cash if you would prefer not to do so.

» ***Mortgage Insurance Premium***

Under the HECM program, borrowers are charged a mortgage insurance premium (MIP), equal to 2 percent of the maximum claim amount, or home value, whichever is less, plus an annual premium thereafter equal to 0.5 percent of the loan balance (the annual premium will accrue on your loan balance at a monthly rate). The MIP is paid to HUD. Among other things, HUD guarantees that if the company managing your account—commonly called the loan "servicer"—goes out of business, the government will step in and make sure you have continued access to your loan funds.

» ***Appraisal Fee***

An independent appraiser not affiliated with the lender is responsible for assigning a current market value to your home. Appraisal fees generally range between $300-$500 or more, depending upon your area and loan product or home value. In addition to placing a value on the home, an appraiser also checks for obvious major structural defects, such as a bad foundation, leaky roof, or termite damage. Federal regulations and investor standards require that your home be structurally sound, and comply with all home safety codes, in order for the reverse mortgage to be made. If the appraiser uncovers property defects, you must hire a contractor to complete the repairs. Once the repairs are completed satisfactorily, the same appraiser is paid for a second visit to make sure the repairs have been completed. The cost of the repairs may be financed in the loan and completed after the reverse mortgage is made. Appraisers generally charge $50-$150 dollars for each follow-up examination. Certain repairs may be required to be performed prior to the closing of your loan and the cost of repairs financed under the loan will be limited to 15% of the maximum claim amount.

» ***Closing Costs***

Other closing costs that are commonly charged to a reverse mortgage borrower include:

Credit report fee - *Verifies any federal tax liens, or other judgments, handed down against the borrower. Cost: generally under $20.*

Flood certification fee - *Determines whether the property is located on a federally designated flood plain. (If your property is in a flood zone you will be required to obtain flood insurance.) Cost: generally under $20.*

Escrow, Settlement or Closing fee - *Generally includes a title search and various other required closing services. Cost: $150-$450.*

Document preparation fee - *Fee charged to prepare the final closing documents, including the mortgage note and other recordable papers. Cost: $75-$150.*

Recording fee - *Fee charged to record the mortgage lien with the County Recorder's Office. Cost: $50-$100.*

Courier fee - *Covers the cost of any overnight mailing of documents between the lender and the title company or loan investor. Cost: generally under $50.*

Title Insurance - *Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against any loss arising from disputes over ownership of or liens against your property. Varies by size of the loan, though in general, the larger the loan amount, the higher the cost of the title insurance.*

Pest Inspection - *Determines whether the home is infested with any wood-destroying organisms, such as termites. Cost: generally under $100.*

Survey - *Determines the official boundaries of the property. It's typically ordered to make sure that any adjoining property has not inadvertently encroached on the reverse mortgage borrower's property. Cost: generally $250-$1,000 or more, depending upon your area.*

» *Servicing Set-Aside*

The servicing set-aside is an amount of money deducted from the available loan limit at closing to cover the projected costs of servicing your account. Federal regulations allow the loan servicer (which may or may not be the same company as the lender who makes the loan) to charge a monthly fee that ranges between $30-$35. The amount of money set-aside is largely determined by the borrower's age and life expectancy. Generally, the set-aside can amount to several thousand dollars. **Please understand that the servicing set aside is just a calculation and not a charge.** The only amount added to your loan balance for servicing your loan will be the monthly servicing fee, which usually ranges from $30-$35.

» *TALC Disclosure*

The federal government requires your lender to provide a disclosure in connection with your reverse mortgage known as the Total Annual Loan Cost Rate or commonly referred to as the "TALC." The TALC rate is a single rate that includes all loan costs. It is the annual average rate that would generate the total amount owed at any point of the loan if charged on the loan advances made prior to that time. TALC rates are projections based on assumed loan terms (the number of years from the beginning of the loan to its maturity—based on assumed life expectancies) and assumed average annual home appreciation rates. The TALC disclosure will show you that the Total Annual Loan Cost Rate is greatest in the short term because the loan costs financed at closing are a greater percentage of the total loan balance in the early years of the loan. In addition, you will find that the TALC is smallest when the loan term is longest and the assumed annual appreciation rate of your home is the smallest. TALC rates begin the highest and decrease most quickly for loans with monthly advances only. If you take all available funds as a single lump sum payment, the TALC rates start out much lower and do not decrease as fast.

In general, the TALC Disclosure emphasizes the following cost patterns for most reverse mortgages:

- *The cost of reverse mortgages are expensive if repaid within a few years.*
- *The overall annual average cost of a reverse mortgage goes down over time.*
- *The cost of a reverse mortgage can be quite moderate or even inexpensive if you live in your home beyond your life expectancy and your home appreciates at a moderate rate.*

OTHER FINANCIAL IMPLICATIONS OF REVERSE MORTGAGES

Although reverse mortgages offer an obvious financial benefit in allowing borrowers to tap or use home equity while continuing to reside in their property, other potential financial implications associated with reverse mortgages need to be investigated before you determine that a reverse mortgage is right for you.

» ***Benefit Programs***
While generally Social Security and Medicare benefits are not affected by a reverse mortgage, if you currently are qualified for benefits that are means-tested, such as Supplemental Security Income (SSI), Medicaid and various state-administered programs, a reverse mortgage could affect your continued eligibility for those benefits. In general, although loan advances are not typically treated as income, under many federal and state government means-tested programs, loan advances retained by the borrower in a readily available form (such as your bank account) beyond the end of the month in which they are received could be viewed as a liquid resource and might reduce your benefits or potentially disqualify you from further benefits. In some states, regularly scheduled monthly payments from a reverse mortgage may be counted as income for purposes of Medicaid whether or not they are spent within the month they are received.

» ***Tax Impact***
Similarly, how you use your reverse mortgage proceeds could impact your overall tax liability. While the IRS generally does not consider loan advances to be income for tax purposes (and the interest on a reverse mortgage is not deductible for tax purposes until it is actually paid), if you use reverse mortgage proceeds to purchase an annuity, part of the income generated from the annuity may be taxable and could also be treated as income by SSI, Medicaid and other means-tested programs, resulting in reduction in benefits or loss of eligibility.

» ***Subsidized Mortgage Programs***
If you currently have a limited purpose reverse mortgage or a forward mortgage that is supported by government or non-profit agency financial assistance, you should understand that a reverse mortgage generally requires that this obligation be paid and the underlying security interest released. You should therefore consider whether it is in your overall best interest to obtain a reverse mortgage and pay off this obligation. Generally a special mortgage loan program either postpones collection of taxes or provides a loan at a low interest rate. In some cases, the principal balance of the loan may be forgiven after a certain period of time. While HUD generally requires earlier mortgages to be paid off prior to or with the closing of a reverse mortgage, HUD may, depending upon the circumstances, agree to other arrangements if a special assistance mortgage is involved. In any event, you should understand any loss of benefits or penalties that arise from paying off such a government or agency supported mortgage and consider whether the overall benefit of a reverse mortgage outweighs these unfavorable circumstances.

» ***Estate Planning***

The appropriateness of a reverse mortgage for you may also be impacted by your specific estate planning goals. Since the outstanding balance of your reverse mortgage loan must be paid before your home can be inherited, your estate must either refinance or sell the home, thereby reducing the net sale proceeds available to your heirs. Also, if your home must be sold at the loan's maturity, anyone then living in the house may have to move out[1] (This does not apply to your spouse if he/she is a borrower under the loan.)

The amount of equity remaining after a reverse mortgage is paid off can be an important consideration for other reasons as well. It may impact not only your decision to take a reverse mortgage, but also may influence your decision as to which payment option to use and how much of the available loan proceeds you wish to access. While most borrowers want and expect to live in their homes for the rest of their lives, not all are able to do so. Recent statistics indicate that approximately 5% of persons aged 65 years or over are residents of long-stay care institutions at any one time. However, approximately 40% of the elderly spend some time in a nursing home at some point in their lives. As a result, you might consider preserving some portion of your home equity and not tapping into all of it through a reverse mortgage loan, in order to have a source for the payment of such care. As previously discussed, when all borrowers have moved out of the home, the loan becomes due and the full loan balance must be repaid. If there is remaining equity in the home after the loan has been repaid, these proceeds could potentially be used to help pay for you or your spouse's relocation and continuing expenses. Your Financial Freedom loan representative can provide you with many illustrations to show you projections as to how a reverse mortgage might impact your remaining home equity over time.

» ***Investment Funding***
Reverse mortgages may not always be suitable vehicles for funding investments, whether for stocks, bonds, real estate, or other investment opportunities. Not only will the amount you invest typically be at risk, but loan origination, and interest and servicing costs that must be paid in connection with your loan are likely to outweigh any investment returns you might otherwise earn.

If you are considering using your reverse mortgage for investment purposes, it is important that you receive independent advice from a trusted advisor who does not earn a fee or commission from the investment.

» ***Use of a Reverse Mortgage to Purchase Long-Term Care Insurance***
Reverse mortgages can provide a source to help pay for long-term care insurance. However, you should be aware that this strategy can potentially be very costly because you could be paying both insurance premiums and interest on the loan for many years. In addition, you could face the risk that your long-term care coverage may lapse if you run out of funds to pay the long-term care insurance premium before long-term care is needed.

If you are considering using your loan proceeds to purchase long-term care insurance, it is important that you receive advice from a trusted advisor who does not earn a fee or commission as a result of your purchase of long-term care insurance.

» ***Use of a Reverse Mortgage to Purchase an Annuity***
An annuity can give you monthly cash advances for life, no matter where you live. By contrast, a reverse mortgage can provide monthly advances generally only as long as you live in your home. Therefore, if you are considering an annuity, you should think about how long you expect to remain in your home. Generally, using a reverse mortgage to purchase an annuity is more expensive than simply receiving monthly reverse mortgage advances. This is because your immediate loan balance will typically be larger if you buy the annuity with reverse mortgage proceeds, which results in larger interest charges. However, if you live beyond your life expectancy, a reverse mortgage/annuity combination can become less costly than a reverse mortgage alone. If your are interested in a reverse mortgage for the purpose of purchasing an annuity, we highly recommend that you review a very informative document published by the AARP Foundation, a non-profit organization, and provided to you with your reverse mortgage application. If you have not yet received this document, please request it from your Financial Freedom loan representative.

Financial Freedom does not offer or sell annuities and does not encourage or suggest that you purchase an annuity with reverse mortgage loan proceeds. If you are considering using your loan proceeds to purchase an annuity, it is important that you receive independent advice from a trusted advisor who does not earn a fee or commission as a result of your purchase of an annuity.

REVERSE MORTGAGE ALTERNATIVES

Seniors should be aware that there may be a variety of resources available to them that might help them meet their needs without obtaining a reverse mortgage. Most importantly, Low- and Low-to-Moderate Income homeowners may be eligible to receive benefits from local, state, and federal public programs. To determine the benefits you may be eligible to receive, please visit www.benefitscheckup.org, a website sponsored by the National Council on Aging, a non-profit organization.

At the website, you can enter information about yourself and find out what programs you qualify for and information on applying for these programs. In addition, public and private non-profit agencies and organizations serving seniors have established planning and service areas known as "Area Agencies on Aging," or "AAAs," to coordinate the delivery of a variety of services to the meet the needs of seniors. To find the AAA nearest you, call 1-800-677-1116 or visit www.eldercare.gov.

In addition, you might also consider selling your home and moving. The process of exploring alternative living arrangements rather than obtaining a reverse mortgage will help you determine how much you value remaining in your present home.

GATHER THE FACTS—CHOOSE CAREFULLY

As we've tried to outline in this brochure, a reverse mortgage is not the best solution for every senior but it can be an excellent choice for many seniors who evaluate their options carefully. We encourage you to take the time to gather all the facts and discuss your plans and specific needs with your family and financial, legal and tax advisors. If you decide to proceed with a reverse mortgage transaction, you will be required to attend counseling from an independent HUD-approved counseling agency. Any questions or concerns you have regarding a reverse mortgage (or how you plan to use the proceeds from a reverse mortgage) should be addressed during that session.

Reverse mortgages clearly have a number of positive features for seniors. Most importantly, by using a reverse mortgage to liquidate a portion of your housing wealth, you do not have to move or relinquish control over your most important asset—your home.

Financial Freedom

THE REVERSE MORTGAGE SPECIALIST ® A SUBSIDIARY OF INDYMAC BANK, F.S.B.

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1. In the event of a maturity event under the loan (the death of all borrowers or their move-out), the lender will generally extend to you or your estate six (6) months to sell your home and pay off your reverse mortgage balance so long as the property is marketed for sale with reasonable effort and other requirements of the reverse mortgage security instrument are complied with such as pay taxes, insurance and any other obligations that might create a lien on the property, as well as maintaining the property in good condition.

EQUAL HOUSING LENDER

*Consult Tax Advisor. Not all products and options available in all states.