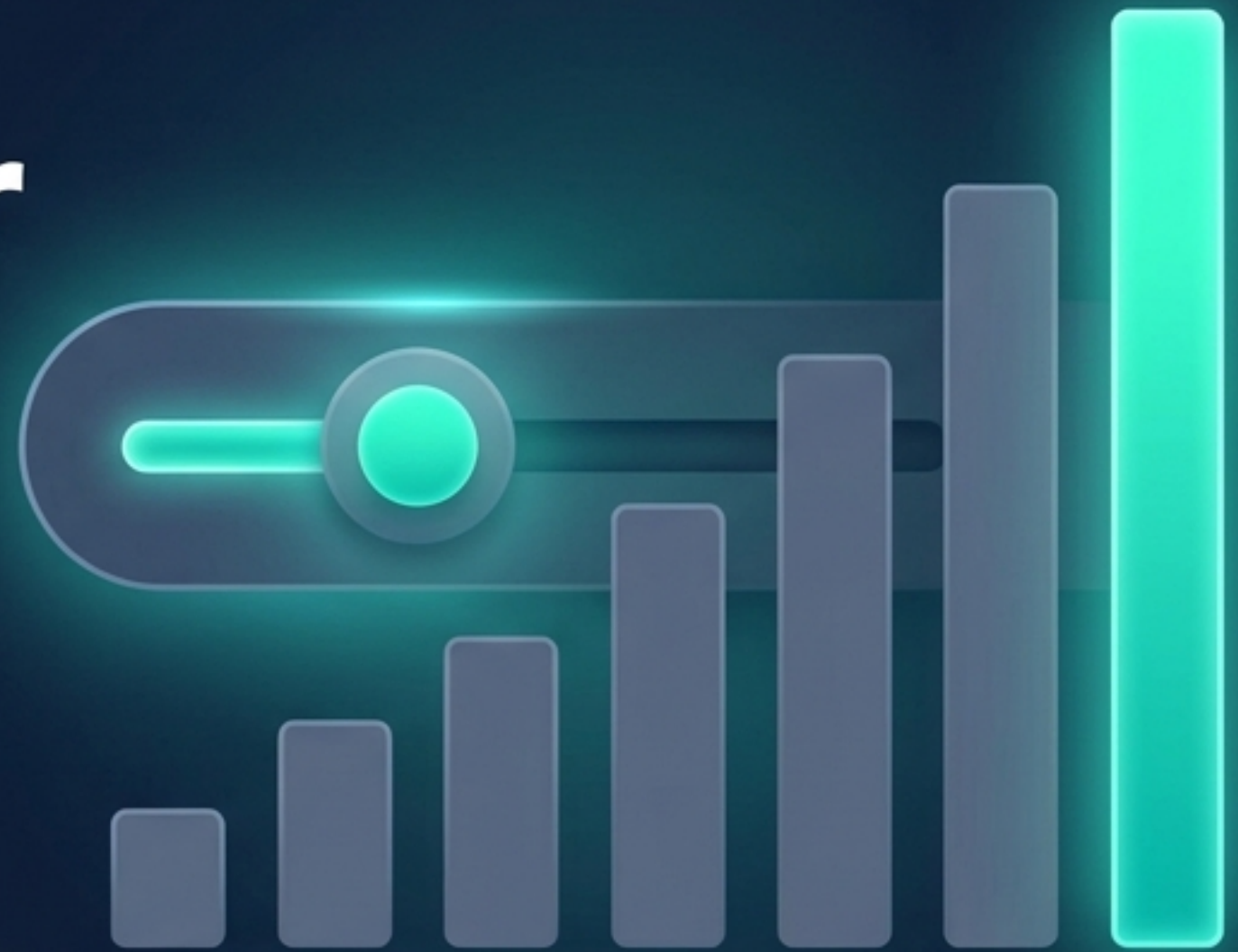


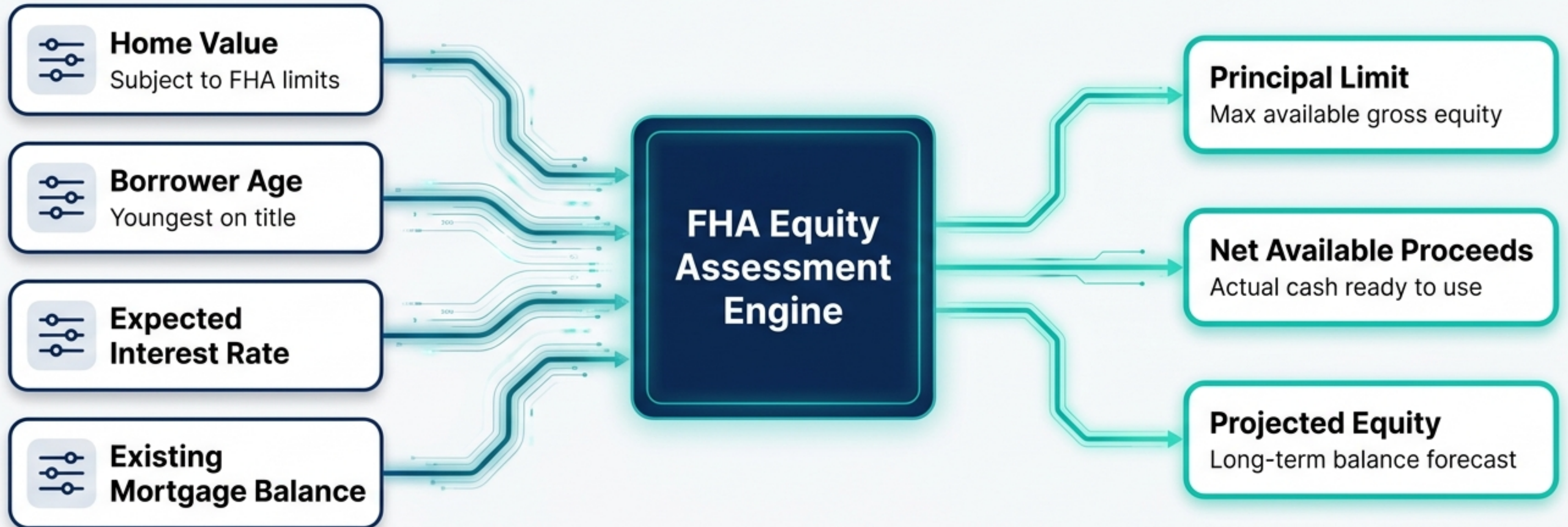
Decoding the HECM Calculator

A Complete Blueprint to
Estimating and Strategizing Your
Reverse Mortgage

Understand the math, explore your
options, and protect your home equity.

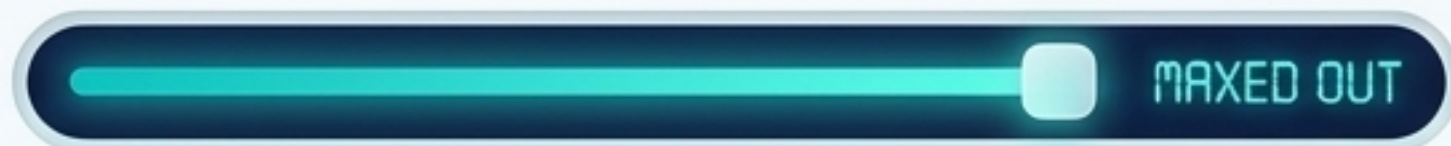


The Calculator Engine



The HECM calculator is not a generic loan estimator—it is a specialized tool that processes your inputs through strict FHA guidelines to determine exact borrowing power without monthly payments.

The Four Core Variables

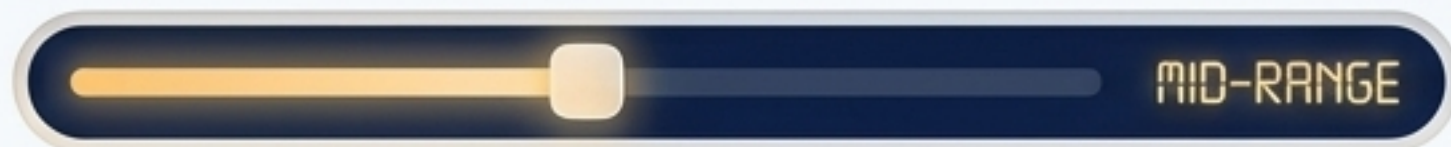


Home Value & Equity

The foundation. Calculations are capped by current FHA maximum lending limits, regardless of how much your home exceeds them.

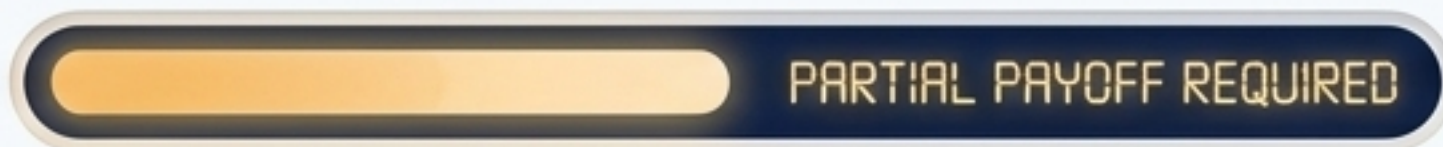
Borrower Age

The multiplier. The calculation strictly uses the age of the youngest borrower on the title (must be 62+). Older age increases lending limits.



Expected Interest Rates

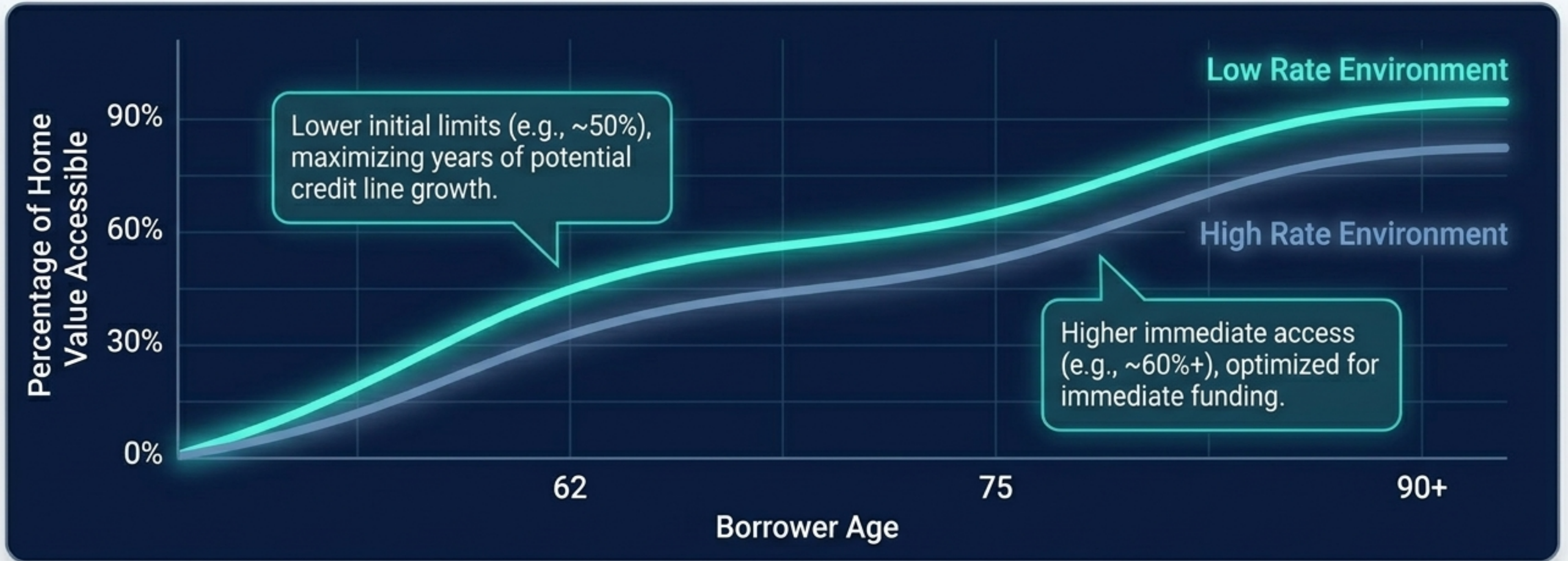
The headwind. Comprised of an index plus a lender margin (typically 2-3%). Higher expected rates shrink available proceeds to account for future interest accumulation.



Existing Mortgage Balance

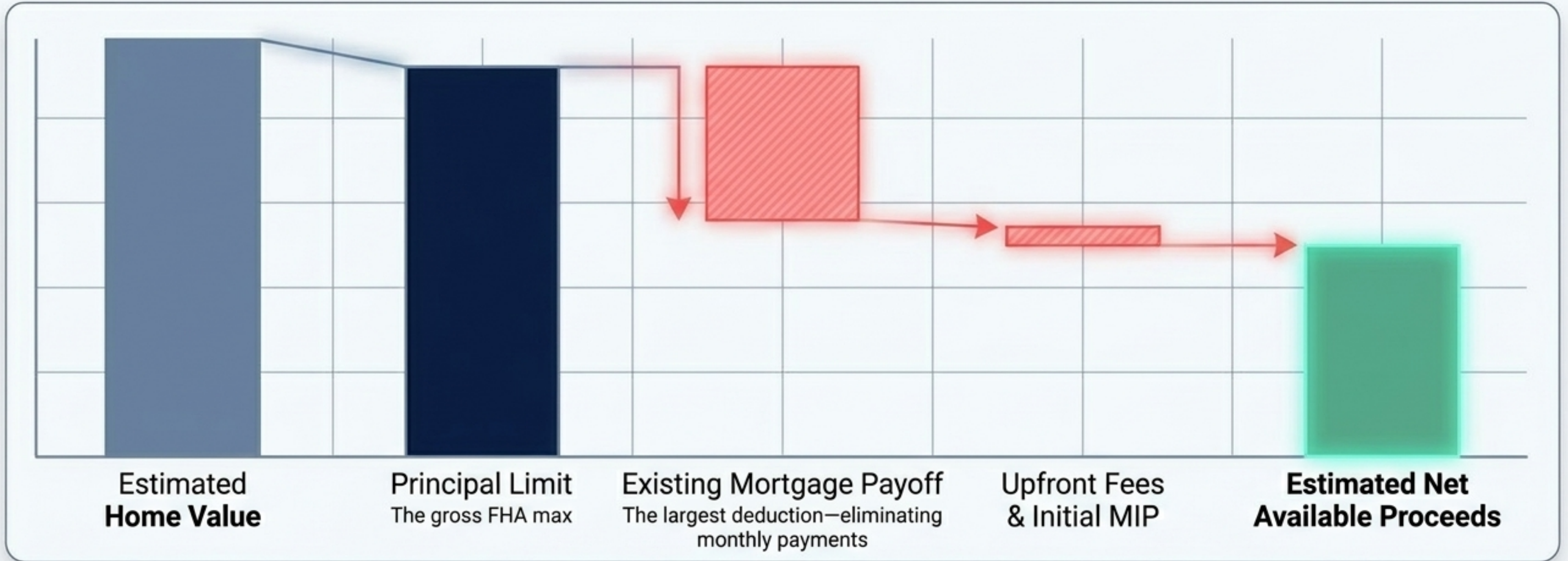
The prerequisite. This is an obligatory deduction; reverse mortgages require the mandatory payoff of your current mortgage first.

The Math Behind the Magic: Principal Limit Factor



The FHA's Principal Limit Factor dictates that older borrowers gain access to a larger percentage of their home's value, while rising market interest rates shift the entire curve downward.

Gross vs. Net Proceeds



Gross limits are theoretical. Net proceeds are reality. Erasing your existing mortgage is the most significant factor determining your actual cash in hand.

Payout Architectures



Lump Sum

Mechanics: Fixed interest rate, single upfront distribution.

Best Use Case: Paying off a specific, large immediate debt. No future draws available.



Monthly (Term / Tenure)

Mechanics: Annuity-style regular income (set years or guaranteed for life).

Best Use Case: Supplementing a fixed retirement budget with predictable cash flow.

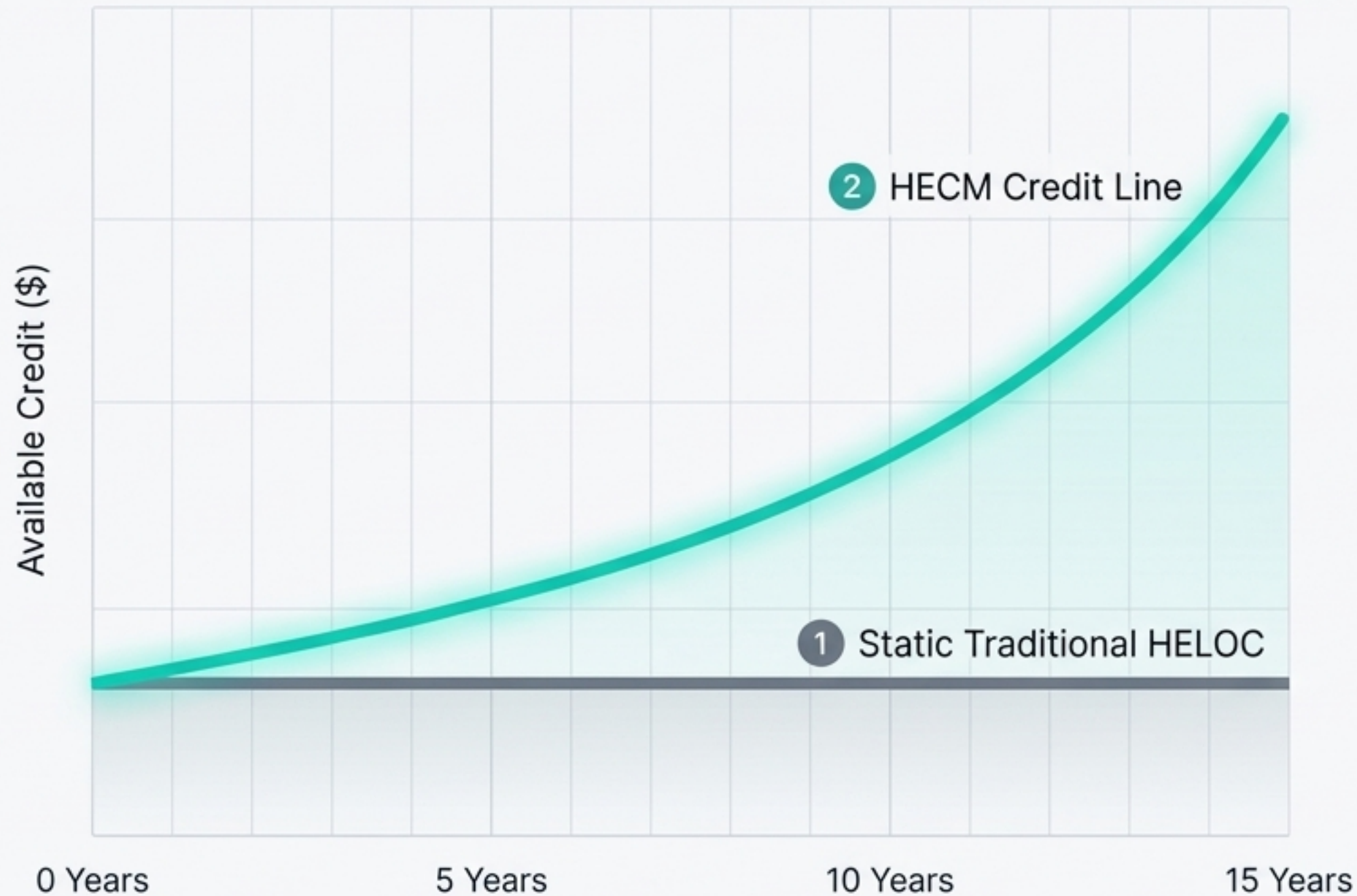


Line of Credit

Mechanics: Flexible draws, adjustable rate. Funds sit until needed.

Best Use Case: Emergency planning and strategic reserve.

The Unused Credit Line Advantage



**Growth Rate =
Current
Expected
Interest Rate**

The Mechanic: The unused portion of a HECM credit line automatically grows at the exact same rate as the loan's current interest rate.

The Advantage: Unlike traditional home equity lines, your available borrowing capacity increases automatically over time without requiring new applications, income verification, or property appraisals.

The True Cost of Equity



Upfront Costs (Deducted from Proceeds)

- **Origination Fees:** Capped by FHA (\$2,500 to \$6,000 max).
- **Initial MIP:** 2% of the home's value, paid to FHA at closing.
- **Closing Costs:** \$2,000 to \$6,000 (appraisal, title, recording).

Ongoing Costs (Accruing & Borrower Responsibility)

- **Annual MIP:** 0.5% of the loan balance (accrues to balance, not paid monthly).
- **Property Maintenance:** Borrower must pay ongoing property taxes, homeowner's insurance, and basic upkeep.

The Alternatives Matrix

Options	Loan Limits	Monthly Payments Required?	FHA Non-Recourse Protection?	Best Use Case
HECM (FHA)	FHA Capped	No <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/>	Mainstream 62+ Equity Access
Proprietary (Jumbo)	No Limit	No <input checked="" type="checkbox"/>	Rarely	Homes exceeding FHA limits
Single-Purpose	Very Small	No <input checked="" type="checkbox"/>	N/A	Low-income seniors needing property tax help
Traditional HELOC	Lender Based	Yes <input type="checkbox"/>	<input checked="" type="checkbox"/> No	Working years / short-term cash needs

Eligibility Checkpoints



Age & Ownership Status

- Youngest borrower must be 62+.
- Must have substantial equity or own outright.
- Must be the primary residence (no vacation or investment properties).



Property Standards

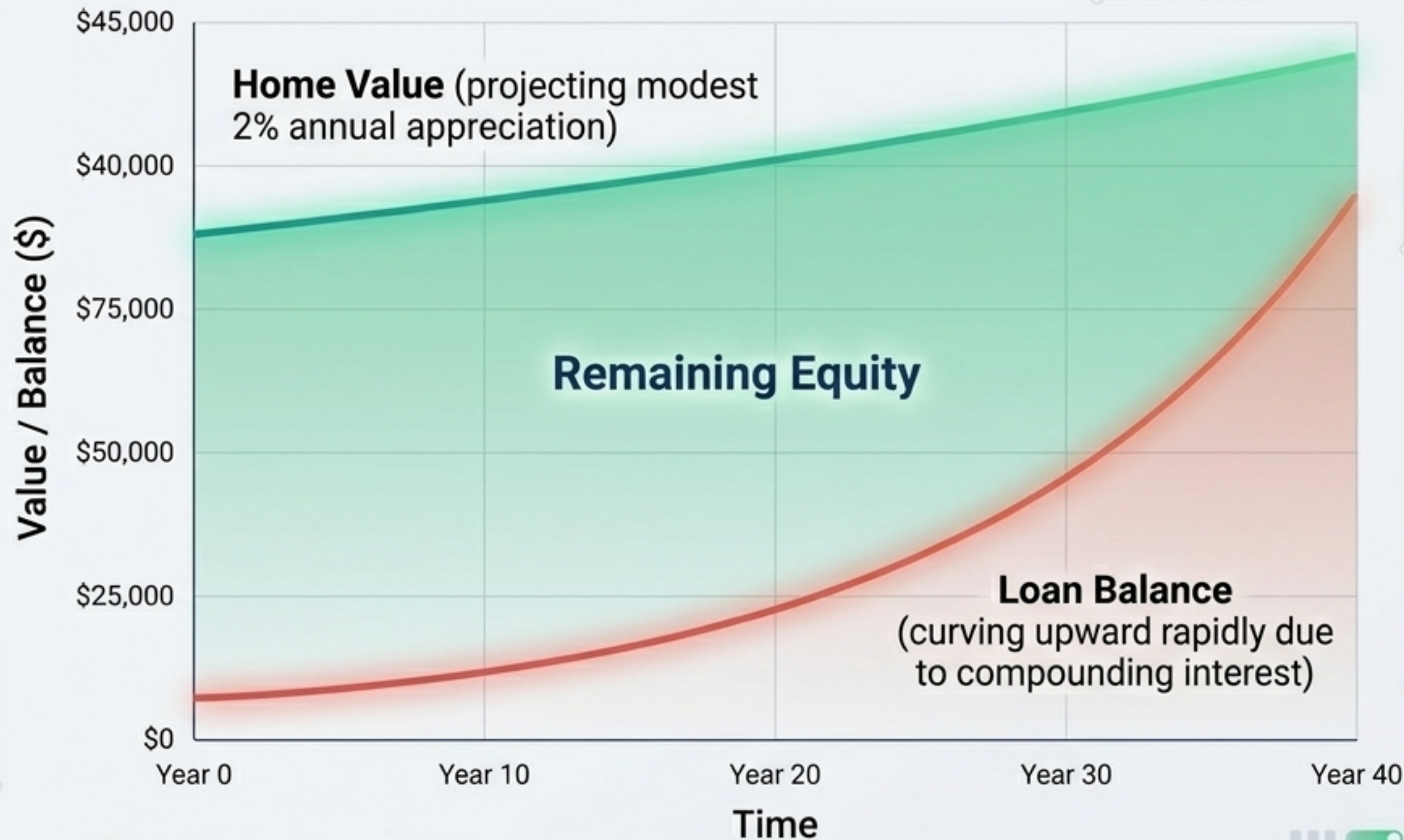
- Must meet FHA minimum safety/livability standards.
- Eligible: Single-family, FHA-approved condos, some multi-unit (owner-occupied).



Financial & Educational Assessment

- Verification of capacity to pay ongoing taxes/insurance.
- Mandatory completion of independent HUD-approved counseling (\$125-\$200 fee).

The Estate Reality: How Balances Grow



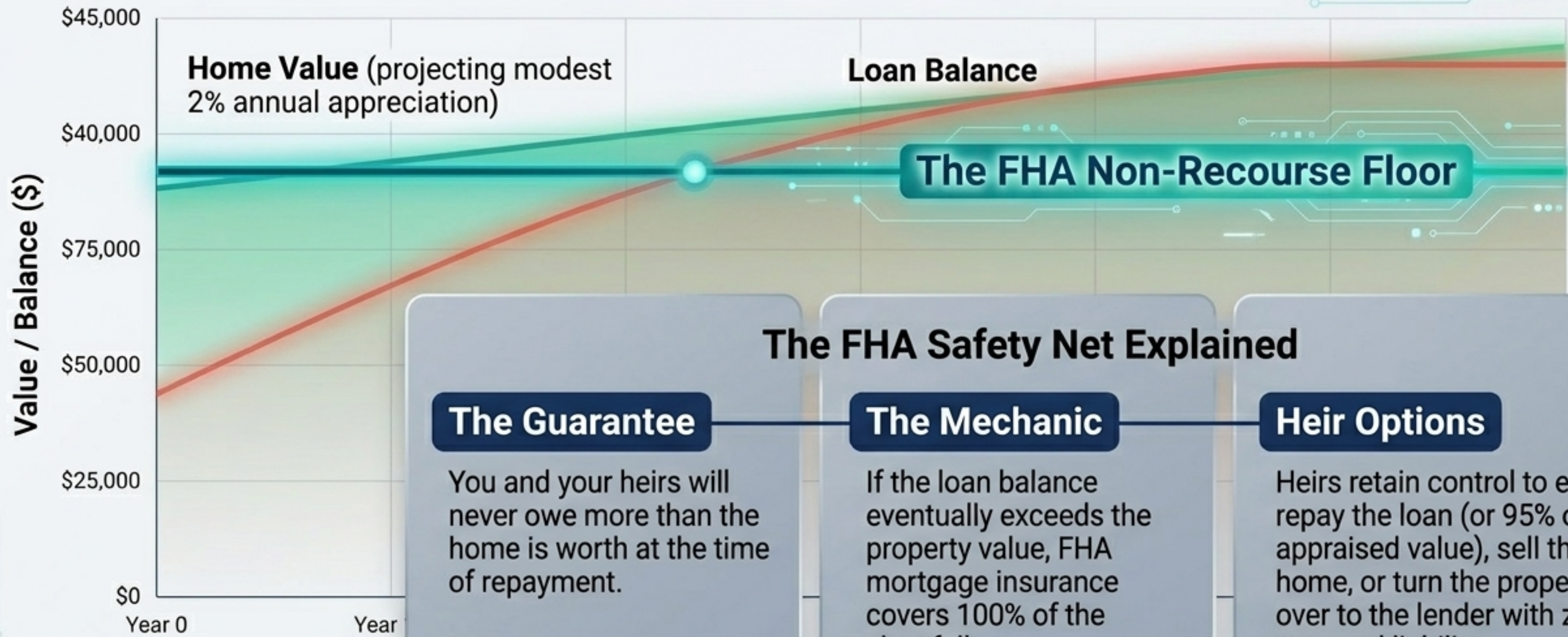
The Reality Check

Because no monthly mortgage payments are being made, interest and the 0.5% annual MIP compound monthly. This accelerates loan balance growth.

Estate Impact

Heirs will inherit the property with a significantly reduced equity position.

The FHA Safety Net



The FHA Safety Net Explained

The Guarantee

You and your heirs will never owe more than the home is worth at the time of repayment.

The Mechanic

If the loan balance eventually exceeds the property value, FHA mortgage insurance covers 100% of the shortfall.

Heir Options

Heirs retain control to either repay the loan (or 95% of appraised value), sell the home, or turn the property over to the lender with zero personal liability.

System Alerts



Overestimating Home Value

Error: Using peak market Zillow estimates or tax assessments.

Fix: Calculators rely on appraised values, which often come in lower. Use recent neighborhood comparable sales.



Ignoring the Interest Rate Assumption

Error: Assuming the default rate is your actual rate.

Fix: Half a percent difference drastically alters the principal limit. Adjust the expected rate manually to match current market realities.

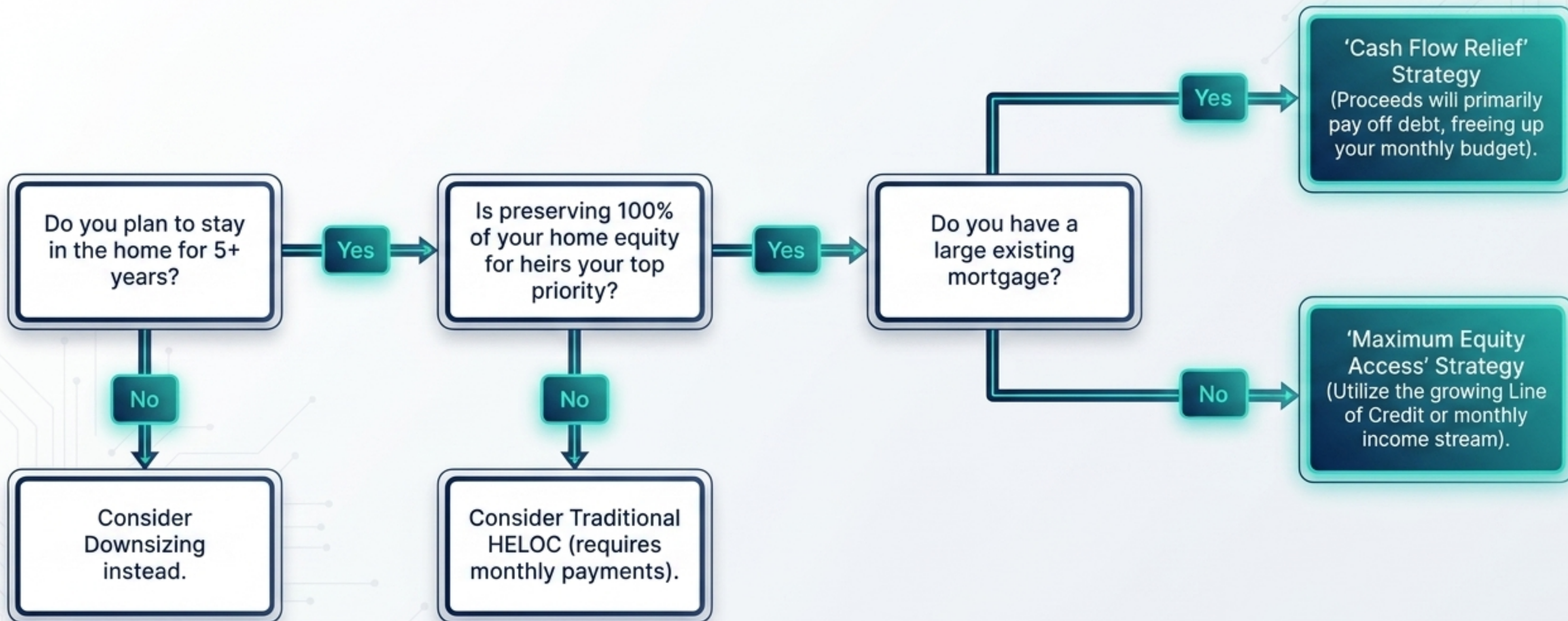


Forgetting the Mandatory Payoff

Error: Looking at the gross Principal Limit while carrying a \$150k existing mortgage.

Fix: Existing liens must be cleared first. High existing debt means low net cash proceeds (though it still eliminates monthly payments).

HECM Suitability Flowchart



Next Steps & Resources



Run Your Scenarios

Use a free, private HECM calculator to map your exact age, value, and rate numbers without a credit check.



Compare Real Quotes

Calculator results are just FHA estimates. Request 3 itemized Good Faith Estimates from different lenders to lock in actual origination fees and margin rates.



Consult a Specialist

Speak with a licensed advisor or schedule your mandatory HUD counseling.

Call +1 (800) 555-1234 or request the Free Comprehensive Guide.