



Turn your home's value into a source of ready cash

The Home Keeper Mortgage Consumer Fact Sheet

August 2004

Now you can have the financial freedom you want with the Home Keeper Mortgage®. Stay in your home for as long as you wish with a reverse mortgage that provides a ready source of cash to use as you see fit. And you don't have to repay the loan as long as you live in your home.

Q: What is the Home Keeper Mortgage?

A: Fannie Mae's proprietary reverse mortgage product is designed to benefit homeowners age 62 or older who are looking for a way to tap their home equity without having to pay back the loan while they still live in their home. With a Home Keeper, you borrow against the value of your home, and receive loan proceeds according to the payment plan that you select. It can provide the maximum amount of flexibility to address your particular financial needs — whether it is a lump sum to pay an unexpected hospital bill, or a stream of regular payments to supplement your monthly income. Unlike traditional home equity loans, no repayment of the loan is required until you no longer occupy the home as your principal residence. When you sell your home or move, the accrued interest plus any cash the lender has paid to you becomes due and payable.

Q: Who is eligible for a Home Keeper?

A: You, and any co-borrowers, must be at least 62 years old and either own your home free and clear or have a very low outstanding mortgage balance that can be paid off at loan closing. The home must be your principal residence and also be a single-family, one unit dwelling or a condominium or Planned Unit Development (PUD) that meets standard Fannie Mae requirements. You also must agree to accept mortgage counseling from a nonprofit or public agency engaged in reverse mortgage counseling, or from a Fannie Mae counselor. Family members are strongly encouraged to attend these counseling sessions.

Q: How much money can I borrow?

A: The maximum amount you can borrow—the *principal limit*—is based on three factors: the number of borrowers, the ages of those borrowers, and the adjusted property value. The adjusted property value is the lesser of the appraised value of your home or the Fannie Mae loan limit, which is revised annually. Your principal limit is determined at the time you close your loan.

Q: What payment plans are available?

A: In most states, a borrower may choose among three payment options: tenure, modified tenure, and a line of credit. You may change payment plans at any time, and as often as you like, for a small fee.

- 1) *Tenure option:* You will receive equal monthly payments for as long as you occupy your home as a principal residence.
- 2) *Line of Credit option:* You may draw up to a maximum amount of cash at times and in amounts of your choosing, as long as you occupy your home as a principal residence. (Option not available in Texas.)
- 3) *Modified Tenure Plan:* Allows you to set aside a portion of loan proceeds as a line of credit and receive the rest in the form of equal monthly payments as long as you occupy your home as a principal residence.

No matter which payment plan you select, with the Home Keeper you will have the security of knowing that repayment is not required until you no longer live in your home—as long as you abide by your agreement with your lender to pay your taxes and insurance and to maintain your property.

Q: How is my monthly payment amount determined?

A: If you elect the tenure or modified tenure option, the amount of your monthly payment is determined by considering the following factors: your principal limit (the amount of cash available to you as a borrower) and the length of time you are expected to remain in your home, based on life expectancy. The older you are, the larger your payments are likely to be. The following example shows monthly payments available under the **Tenure Option:**

Age	Adjusted Property Value		
	\$100,000	\$200,000	\$300,000
65	\$ 112	\$ 258	\$ 405
75	302	639	976
85	521	1,061	1,609

(These figures are approximate and assume an 8.5 percent interest rate, financing of \$2,000 in closing costs and the initial mortgage insurance premium, and the payment of a \$30 monthly servicing fee.)

Q: Will Home Keeper payments affect my Social Security, Medicare, Supplemental Security Income (SSI), or Medicaid benefits?

A: Home Keeper payments do not affect your Social Security or Medicare benefits because they are not based on the assets of the recipient. However, in the federal SSI program, beneficiaries must keep their liquid resources under certain limits. With Home Keeper, you can choose to suspend your monthly payments for a specified period. You may wish to exercise this option if you receive SSI or Medicaid payments, do not have an immediate need for the loan funds, and are concerned about failing the SSI asset test.

Regulations vary for state-administered programs such as Medicaid, Aid for Dependent Children (AFDC), and food stamps. Therefore, we suggest that you consult a benefits specialist at your local Area Agency on Aging or the local offices for these programs to determine how Home Keeper payments may affect your particular financial situation.

Q: Will I have to pay any fees to obtain a Home Keeper?

A: Yes, you will have to pay a one-time origination fee and other closing costs. In addition, your lender will assess a servicing fee each month to administer your loan. You may be able to finance the origination fee and other closing costs - that is, these items may be included in your loan balance so that you do not have to pay for them in cash when you close your loan.

Q: Can I be forced to sell or vacate my home if the money I owe on the loan exceeds the value of my home?

A: No. As long as you continue to occupy the property as your principal residence, maintain the property, and pay your property taxes and insurance, you can stay in your home for as long as you choose. No deficiency judgment may result from your Home Keeper loan.

Q: Will my heirs owe anything to the mortgage lender if I die?

A: Upon your death, the loan balance, consisting of payments made to you or on your behalf plus accrued interest, becomes due and payable. Your heirs may repay the loan balance by selling the home or by paying off the Home Keeper loan so that they may keep the home. If the loan balance exceeds the value of your property, your estate will owe no more than the value of the property. No additional financial claims may be made against your heirs or estate.

Q: If my home appreciates in value during the mortgage term, who will be entitled to that money?

A: You are legally required to pay back to the lender only the outstanding balance. Any money remaining after the mortgage is paid goes to you or, upon your death, to your heirs.

Q What if I decide to sell my home?

A: If you choose to sell your home, the outstanding loan balance becomes due and payable to the mortgage lender. You can pay the loan balance with proceeds from the sale of your home, and you or your estate will receive any proceeds exceeding the loan balance.

Q: Can I sell my home to my children and continue to live in it?

A: If you sell your home to your children or any other individual, the Home Keeper will become due and payable at settlement. After the loan is repaid, any arrangement for your continued occupancy of the property must be made with the new owners.

Q: What are some of my responsibilities as a homeowner with a reverse mortgage?

A: To keep your real estate taxes and homeowners insurance current. And to properly maintain your home so that its value does not diminish.

Q. How can the Home Keeper mortgage be used to purchase a new home?

A. The *Home Keeper for Home Purchase* reverse mortgage may be used by persons 62 years of age or older to buy a home, ultimately eliminating monthly mortgage payments. This loan combines features of a home purchase mortgage and a reverse mortgage into one easy step, giving you instant access to your home equity. In most instances, this loan is used by homeowners who want to sell their current home and buy another one that suits their needs. The lender will use the purchase price of the new home, your age(s), and the current Fannie Mae loan limit to determine your eligible principal limit. Depending on the purchase price of the home, you may be required to apply part of your own funds toward the purchase and cost of closing.

Q: Where can I learn more about the Home Keeper?

A: For more information, and a list of participating lenders, contact Fannie Mae at 1-800-7FANNIE (1-800-732-6643).

About Fannie Mae

Fannie Mae provides this information so you can learn more about your home finance options. Fannie Mae is a privately managed, stockholder-owned company. It has been chartered by Congress to fulfill the public mission of providing low-cost mortgage funds to Americans with low, moderate, or middle incomes. Fannie Mae does not lend money to consumers, but buys mortgages from a national network of about 3,000 approved lenders who do originate mortgage loans. By selling their loans to Fannie Mae, or pooling them to issue Mortgage-Backed Securities, lenders replenish their supply of capital so they can make more mortgage loans to American home buyers.

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