

2005 National LTCi Producer Summit

*As Reverse Mortgage Popularity Soars, How
Can You Tap the Growing Market?*

Adrian Prieto, Key Account Manager

Financial Freedom Senior Funding Corp.



Financial Freedom™

- **Financial Freedom™ is the largest retail and wholesale originator of reverse mortgages in the United States, with a 53%+ market share**
- **The largest servicer of reverse mortgages, with over 50,000 loans in portfolio**
- **Financial Freedom™ is a Subsidiary of IndyMac Bank, F.S.B.**



Common Misconceptions

- **“The lender takes the house”**
 - Homeowner retains full ownership
 - Reverse Mortgages are loans
- **“I can be thrown out of my home”**
 - Homeowners stay in home until loan maturity event occurs
- **“I can owe more than my home is worth”**
 - Homeowner can never owe more than value of the home
- **“My heirs will be against it”**
 - Experience demonstrates heirs are in favor of
Reverse Mortgages



What is a Reverse Mortgage?

- **62 yrs or older & owns primary residence**
- **Without income qualification or full credit review**
- **Without making monthly mortgage payments**
- **Without having to repay the loan until they move out permanently, sell the house or die**
- **Proceeds are tax-free and can be paid in lump sum payment, monthly payments, line of credit or combination thereof ***
- **Interest may be tax-deductible upon loan repayment, please consult a tax advisor**
- **Without leaving their homes**

*** Not all products and options available in all states**



What is a Reverse Mortgage?

Loan proceeds available to the borrower are based on three main factors:

- 1. Age of the homeowner**
 - 2. Value and location of home**
 - 3. Current interest rates**
- Loan is repaid at permanent move out, and repayment never exceeds the value of the home**
 - Amount repaid is principal, accrued interest and service fees**

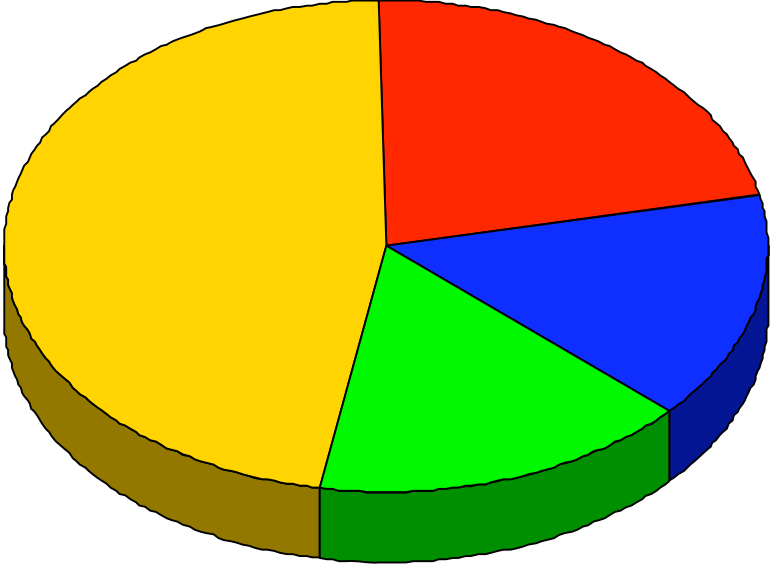


An Expansive Market

- 21+ million senior homeowners
- 60% of market is 65 -70
- Huge demographic wave underway
- 85% want to remain in home (AARP study)
- \$1.7 trillion in home equity
- Loan volume has increased by 70% per year for the past two years
- Fannie Mae studies show 90+% satisfaction rate



Home Equity Is Typically the Largest Component of a Senior's Asset Pool*



- House
- Cash
- IRA, 401K
- Stocks and Bonds

* Source: Federal Reserve



Current Industry Overview

- Exponential growth
- More seniors taking advantage of RM's
- Continued product enhancement
- Greater flexibility and opportunity
- The product and the market continue to mature
- Financial Freedom's loan volume increased by 86% in the month of June 2005 compared to June of 2004



Consumer Protections

- Trained and experienced loan officers
- Mandatory counseling (Third Party – HUD)
- Interest rate caps on all products
- NRMLA (National Reverse Mortgage Lenders Association) Code of Conduct
- Comprehensive disclosures



Uses for Home Equity Conversions



Product Options

- *FHA/HUD Home Equity Conversion Mortgage*
- *Fannie Mae HomeKeeper*
- *Financial Freedom™ Cash Account™*



The HECM

- HECM maximum lending limit of \$312,000 (limit varies by county)
- Payment options available*
 - Tenure option
 - Term option
 - Line of credit
 - Lump Sum
 - Combination of above
- You can change the payment option at any time during the life of the loan

* Not all options available in all states



The FNMA HomeKeeper

- Maximum Claim Amount is \$333,700
- The product may be used as a refinance or purchase mechanism
- Benefit options include Lump Sum, Tenure (monthly) Income, or Line of Credit*

* Not all options available in all states



Financial Freedom's Cash Account™

- The industry's only “jumbo” reverse mortgage
- Virtually no lending limit
- Standard Cash Account™, a Line of Credit product
- Zero Point™ Cash Account™, a Lump Sum product
- Simply Zero™ Cash Account™, a no cost product



Benefit Examples

HECM

√Borrower: Single, aged 73

√Value of Home: \$300,000

√Eligible Proceeds: \$187,347¹ (or \$ 1,122 monthly)

HOME KEEPER

√Borrower: Couple, aged 70 and 68

√Value of Home: \$200,000

√Eligible Proceeds: \$32,799₂

1 As of October 14, 2005 and is after origination fees, HUD MIP, and other closing costs in Irvine, CA

2 As of October 14, 2005 and is after origination fees and other closing costs in Irvine, CA



Financial Freedom's Jumbo Reverse Mortgage

Zero Point Cash Account™

✓ **Single Borrower: Age 79**

✓ **Home Value: \$ 2,000,000**

✓ **Eligible Proceeds: \$ 801,300***

Simply Zero Point™ Cash Account™

✓ **Single Borrower: Couple, Aged 69 and 71**

✓ **Home Value: \$ 4,000,000**

✓ **Eligible Proceeds: \$ 847,600***

* As of October 14, 2005 and is after origination fees and other closing costs



How much does it cost?

- The cost is proportional to Home Value
- Components of cost are:
 - The lender's fee
 - The closing costs
 - Mortgage Insurance Premium (applicable only on FHA)

Out of Pocket costs are limited (\$350-\$500)

Remaining cost is funded in the loan



What happens at loan maturity?

- Loan is repaid at death or move out, and repayment never exceeds value of home (NON-RECOURSE)
- Amount repaid is principal, accrued interest, and service fees



From a planning perspective

A reverse mortgage is...

A liquidity tool

that unlocks

tax free planning dollars!



Retirement Planning Tool

Proceeds can be used to fund a variety of financial strategies

- √ Long Term Care Funding
- √ Augment Monthly Income through purchase of an Annuity product
- √ Debt Elimination
- √ Life Insurance and Investment Funding
- √ Charitable and Family Gifting
- √ Estate Planning



Reverse Mortgages as a LTC Funding Tool:

Long Term Care Case Example I

- Client Profile:
 - 64 year old
- Assets:
 - \$475,000 home (primary residence)
 - \$650,000 municipal bond portfolio (primary income source)
- Income: Income from muni bond portfolio, pension and social security
- Expenses: \$75,000/year



Reverse Mortgages as a LTC Funding Tool

Long Term Care Case Example I (continued)

- Problem: How to pay for a Whole Life w/Long Term Care Insurance benefits policy without affecting current income?
- Solution: Reverse Mortgage
- Steps:
 - 1. Proceeds of \$170,342 can be generated through the use of a HECM (Home Equity Conversion Mortgage)
 - 2. The loan proceeds are used to purchase an Asset-Care I Whole Life w/ LTC Benefits
 - 3. Asset-Care I policy provides client with initial Death Benefit of \$299,523 and Cash Surrender Value of \$178,390



Reverse Mortgages as a LTC Funding Tool:

Long Term Care Case Example II

- Client Profile:
 - 77 year old couple
- Assets:
 - \$1,500,000 home (primary residence)
 - \$1,200,000 municipal bond portfolio (primary income source)
 - Income: Combination of income from muni-bond portfolio, pension and social security
- Expenses: \$95,000/year



Reverse Mortgages as a LTC Funding Tool:

Long Term Care Case Study II (continued)

- **Problem:** How to pay for a Whole Life w/ Long Term Care insurance benefits policy without affecting current income?
- **Solution:** Reverse Mortgage
- **Steps:**
 - 1. Proceeds of \$367,250 can be generated through the use of a Cash Account Jumbo Reverse Mortgage
 - 2. The loan proceeds are used to purchase the Asset-Care I Whole Life w/ LTC Benefits
 - 3. Asset-Care I policy provides client with initial Death Benefit of \$567,146 and Cash Surrender Value of \$398,949



CASE STUDY #2

Client: 69 and 68.

Home appraised at \$6,480,000. (No estate planning. Only Living Will and Basic Will)

RM Loan Tax-Free Proceeds = \$958,420.

GOALS

Pay off Las Vegas Condo = \$110,580

Pay off “BOAT” = \$ 97,000

Buy Long Term Care Ins. And “\$200,000” of life insurance for their two grand kids.



Who is Financial Freedom™?

- Financial Freedom™ is the largest originator of reverse mortgages in the United States, with a 53% market share
- Currently over 500 employees, two regional sales and production offices, one servicing center, and corporate headquarters in Irvine, CA
- The largest servicer of reverse mortgages, with over 52,000 loans in portfolio
- Operations date back to 1990. The Company was purchased by and is a subsidiary of IndyMac Bank, FSB as of July, 2004
- Reverse Mortgages are our only product; we don't compete in your line of business.



To Receive a Reverse Mortgage Quote

Business Development Center

Financial Freedom™ Senior Funding
Corporation

A subsidiary of IndyMac Bank, FSB

(800) 301-6171

(949) 341-9201 fax

bdc@financialfreedom.com

