Ep 002: John Terveer

The Far-From-Ugly Truth About Reverse Mortages

John Terveer, owner of CTC Financial, Inc., a mortgage brokerage that specializes in reverse mortgages, explains how a reverse mortgage can be a powerful and flexible financial tool once you understand how to use it correctly.

Thanks for tuning in today to The Edge. I'm Greg Hughes with Hughes Private Capital, and today we have John Terveer with CTC Financial. We're going to be talking about reverse mortgages today, even though that's just one part of your business, right?
Correct.

Really, mostly mortgages. It's going to be really interesting to find out more about these because I think a lot of people have misconceptions about reverse mortgages and such. But before we get started, why don't you tell us just a little bit more about yourself.
I'm John Terveer. I'm the owner of CTC Financial. I've been in the mortgage business 31 years. Besides doing *forward* mortgages, your typical home loan, I also do reverse mortgages and I've done them for many years, probably 10 years. I've done a lot of reverse mortgages. I've had some additional training in reverse mortgages and I've also been a trainer where I trained people within the mortgage industry. Going back about 15 years, I used to speak in front of large groups of people and teach other loan officers how to be loan officers. I've been at this and it's my full-time job and I've been committed to it for, like I said, 31 years.

Good. Ton of experience here. Let's go right into what I think, there's a lot of misconceptions, mis-everything-else about reverse mortgages out there, right?
A lot of misconceptions.

We had you come over the other day because we said, "We want to talk to you about reverse mortgages," and we sat in here and we talked a little bit, and I *kind of* knew what they were about but really didn't know what they were about. Completely different than what I knew and all the negatives that seemed to be out there. Reverse mortgages have been how long in the industry?
They've been in the industry for as long as I've been in the industry.

Okay, so a good 30 years plus or something like that. Have they gone through a transformation? Let's talk about what maybe some of those negatives are that people think about with reverse mortgages, then we can get into more of how they actually work and that sort of stuff.
Yeah, a few years back, the reverse mortgages, the guidelines for them were revamped. More attention was paid toward the financial ability of the person who's receiving the mortgage to be able to be responsible with the payments of their taxes and insurance on their home and if there's a homeowners' association, to pay their homeowners' association dues. So, even though when you get a reverse mortgage, you don't have to make a payment, there are other expenses on your home that still need to be paid.
In the past, there were situations where people didn't

pay their property taxes or they didn't pay their homeowners insurance and when you don't pay your property taxes, eventually, the county will, after putting multiple liens on your property, they can eventually legally force the sale of your home. The property taxes — that lien could take [precedence] over the mortgage.

You may owe $15,000 in taxes on your house and have a $200,000 reverse mortgage, and if you're not paying your taxes, the county can have a sale and then the lender is in second position, so it's a detriment to the collateral, the house being the security. That's a detriment to the loan. In the previous reverse mortgage guidelines, the lenders were aggressively foreclosing on people that weren't paying their insurance and taxes and homeowners' association dues.

And you think that's a lot where the negativity came in?
A lot of negativity came in from that. Unfortunately, a lot of people's perception was "the lender won't work with me, the lender won't help me." It's very similar to the mortgage meltdown we had at about eight to ten years ago, when people tried to modify loans or have parts of their principal balance reduced. All they heard on the news was that the federal government had special programs for them to modify their loans or get breaks on their interest rate and then they would try to do it and it was a whole different situation. It was very difficult to do.

What the people weren't seeing was is that HUD-FHA was putting pressure on the lenders to foreclose on those homes because HUD wants to get their position protected. It was almost like HUD was not being for the consumer, they were being for themselves. The revamped guidelines have turned it into a situation where there's more explanation, there's more information, and there's a little bit more protection for the consumer. One of the other areas --

But it's interesting though, as you're talking about that, and I know we haven't gotten into the technicalities of this, but that had *nothing* to do with the reverse mortgage. It was the fact that they weren't paying their property taxes, or they weren't paying their HOAs or something of that sort, that got them into trouble...
Correct.

...and you'll probably talk about this somewhat later here, but they even have to go through some education before getting a reverse mortgage to do it, too.
Correct.

So, maybe there were some misconceptions there again but it really didn't sound like it had anything to do with the reverse mortgage. It just so happened they had a reverse mortgage and they got themselves in trouble from that.
Right. The problem was, with the reverse mortgage, the mentality was, "I don't have to make a house payment, so I don't have to pay my taxes or insurance either. I'm just not going to pay anything," and there was a larger percentage of people doing that on reverse mortgages than would've done that on a traditional *forward* mortgage. Plus, on the traditional *forward* mortgage, the taxes and insurance are impounded. They're collected as part of the house payment. On a lot of loans — it's certainly not mandatory on all loans — but it is mandatory on FHA loans — the FHA, the lender servicing the loan, was paying the taxes and insurance so you never had a default on taxes and insurance unless the person just flat-out wasn't making their mortgage payment. That's why, on a reverse mortgage, you saw that problem more.

Yeah. Well, people didn't even know probably that their mortgage included the taxes and insurance — it was just part of their payment, right?

They get so used to it, they forget that that's even part of the deal.
Correct, so then they get a reverse mortgage and they don't pay... these things.

Right. Even though they get bills for it, which doesn't make any sense either, right?
Exactly.

All right. Let's go in, then, to just talking about, how does the reverse mortgage work? What are the advantages, disadvantages, some of those things?
First and most importantly, you have to be 62 years old. If you're not 62 years old or you're less than 62 years old, you can't get one. At that point, being over 62 years old, there's no maximum age. If you're 110 and you own a house, and you want to reverse mortgage, you can get one.

You have to own your home. When I say "own your home," you just have to have title in your name. You don't have to own it free and clear. You can have an outstanding balance on a mortgage. You can even have a second trust deed on your house, and when you get the reverse mortgage, if you have a current mortgage, you can pay off the existing mortgage. So, you have to own your home, and then you have to live in it. If you get a reverse mortgage and you stop living in your home, you're required to pay it back.

So, you can't go out and rent out your home and have a reverse mortgage on it.
Right. Rent it out, go buy another one and go live in another state or another part of town and have your reverse mortgage on that house you're now renting — you *cannot* do that. If you end up in long-term care, and you're going to be there for a while, like permanently, like it's assisted living and you've switched to assisted living, and you are no longer living in the house as your primary residence, you have to pay the reverse mortgage. Of course, if you sell your house, you'll pay the reverse mortgage.

The only other situation would be death, and if you pass on, then the reverse mortgage is on the house. If you have a spouse, the reverse mortgage stays. If you don't have a spouse, now your heirs inherit the home, and just like any other home, they're either going to sell it or one of them is going to keep it — in which case typically they'll refinance or they'll have cash to pay it off.

They can't take over the reverse mortgage?
They cannot have the reverse mortgage.

Especially if they're 60 --
They can't do it at all. It's not their house, it's not their mortgage. Just like a person who has a normal traditional mortgage or what we call a "forward" mortgage. When that person passes away, none of the heirs are supposed to take the property, move in and start paying on that mortgage. It's supposed to be paid off or they're supposed to get their own mortgage, like refinance it. You either pay cash because there's enough money in the estate, or the house gets sold to pay off the reverse mortgage, or one of the heirs can take the title to the home and refinance the reverse mortgage.

Okay. Then how long do you get to live there for once you have a reverse mortgage?
If you're 62 years old and you take out reverse mortgage, you can stay in that house as long as you're alive. If you make it to 115, you stay in the house and the entire time you're in the house, you do not have to pay it back.

Okay. You really have no chance of losing your home as long as you're making your other payments and taking care of all that sort of stuff?
Yeah, correct.

Which is part of the beauty. At that point, you've taken over the reverse mortgage and you know you can stay

there until the time that you either [die] or have to go to long term care or something of that sort.
Correct.

Okay. It's really sort of a credit line, in a way. [Let's say] I've got a home, it's worth $300,000, and I actually own it free and clear. I decide that I want to get a reverse mortgage. What's the total? How much could I get on a $300,000 home if I own it free and clear?
The amount of money you can borrow is going to be determined by the appraisal -- the appraised value of the home -- and your age. It is a formula. It's not like a percentage, but I have found, through trial and error, that the percentage that you can borrow is approximately 12% or 13% less than your age. [Let's say] you're a 62-year-old, you want a reverse mortgage. Just right off the seat of my pants, I'm talking to you on the phone, and you're asking about it and we're just talking in general terms, I'm going to estimate that you can borrow about 49% of the home.
The reality is, there are software programs that we use and we key information in. We key in your birth date and your zip code and your property address, and the calculation will run, and it'll instantly tell us what you can actually get. I just have learned it's about 13% less. Somebody has --

You are really good at math, but you're telling me something different. You're saying it's 13% of your age which is about six or seven years less -- do you mean a total of years?
Okay, right. What I should say is, you're 62 years old, you take 13 off of 62 and you get 49.

Okay, got it. So, it's not a percentage.
Yeah, so, the loan to value, the amount of reverse mortgage would be approximately half of the house's value, for a 62-year-old. Off-the-cuff estimation. If you have a $300,000 house and you're 62 years old and you own it free and clear, you're going to be able to borrow about $146,000 or $147,000.

Okay. So, then... I'm more of a "rounding-up" guy and make it easy. We got $150,000, right? Now... I want to get a reverse mortgage. I'm 62 and I get all approved. Do I have to take the whole $150,000 out, all in one shot -- ?
No.

-- or how does that work? A line of credit?
One of the options is a line of credit. There's a fixed-rate loan option also. The majority of reverse mortgages are the equity line. You can take none of it, but what really happens is, the fees that are incurred when you get a reverse mortgage, the lender will take them out of the credit line. If you get a $150,000 loan and you have $12,000 in fees, they'll take it out of the loan right at the closing, so you'll owe that $12,000. If you never touch it again, it'll just be that $12,000. Then you have a credit line that you can take money off of when you want to.

Okay. I don't *have* to make a payment, but I *can* make a payment too, right?
You don't have to make a payment, but you can make a payment if you want to. On a reverse mortgage, you do have the option of paying a payment. You can pay the interest only, and if you pay the interest only, then you will be able to use that as a tax deduction on a Schedule A, same as you do on a forward mortgage. Now, you can add in your taxes and donations and medical costs and things like that, that you would normally find on a Schedule A.

You can also make the full payment, which means you can pay a little of the principal. If you don't make a payment, what'll happen is the payment that would normally be due on a loan is just added to the loan balance. Very simple. The next month, it's added again, and the next month, it's added again. A reverse mortgage is a negative amortization loan, if you choose not to make any payments at all.

That is a second negative concept or a negative thought that people have about reverse mortgages.
The first one being, that we addressed, we could maybe take the house or [you could] lose your house. This is also something that people look at when they want to say it's a bad thing. They point to that and say, "Your mortgage balance goes up. Your mortgage balance goes up." Of course, it goes up. It's obvious that it's going to go up.

You're not making any payments.
You're not making any payments.
If the electric company sent you a bill every month and you called them and said, "Would you guys be cool and let me not make a payment? I'll, like, not pay you for a while? Would you be cool with that?" The electric company comes back and goes, "Okay. We're going to do it, but just so you know, you owe us $50. Every month you don't pay us, we're going to keep track of that." After about three years of not doing that, you owe your electric company $1500.
It's the same thing with a reverse mortgage. You can choose to make a payment, most people don't. It's a very low percentage of people that pay anything on it. You don't have to pay and the fact that if the balance is going up is because each one those payments is getting added to the balance. You're going to owe more on the reverse mortgage if you never make a payment on it than you did when you started.

If I started and I took the whole $150,000 out and I never made a payment, that's just going to continue to go up. At some point, they're betting that at 62, I'm going to die or pay it off before it reaches the $300,000 mark or my house is going to go up in value, et cetera. But let's just go through that scenario. So, I die at 75, and it's now at $260,000. The house is worth now $350,000. That difference is going to be paid off, then, with the house being sold or refinanced or whatever might happen at that time.
Just a quick response on that would be, an interest rate on a reverse mortgage right now is approximately 5% or 5.25%, so 5% of $150,000 is $7,500. You're going to have about $7,500 of interest getting added to that loan after 12 months.

Does that compound on itself because it's --
Yes. The next year, it might be $7,800, because the interest is calculated on the higher balance, then maybe the next year it's $8,000. Let's just say it's $8,000, and you gave an

example of 75, so 13 years, $8,000, that's 80... that's $104,000. Your $150,000 mortgage that you started with is going to be $254,000 because you didn't make any payments at all and your house was worth $300,000 when you got the loan. Depending on the economy and depending on the housing market, maybe that $300,000 house 13 years later is worth $350,000. Now, you have a loan of $250,000 and you have a house worth $350,000, so you have $100,000 of equity still.

Right. Pretty good deal. What did you say, 5.25%, 5.50%, somewhere right there?
Five and a quarter.

Is that about a point higher than, say, a forward mortgage would be, with somebody with good credit and all that sort of stuff?
Yes. Right.

So, it's not tremendously more expensive there either.
No, and remember, you brought this up earlier, you said a reverse mortgage is like a line of credit. Well, it is a line of credit, if you get the line of credit option, as opposed to the fixed-rate option and you know

that... Well, you may not know, but a home equity line of credit, a traditional one that you might get from a bank, those typically have interest rates nowadays of 6% or 7%.

They initially give you an artificially low rate and then after a set period of time — six months, 1 year, I don't do home equity line of credits — and they've tightened up. [The] ones that they have now, they base them on the prime rate and they add something to it, which is called a margin, which is a number, maybe it's 3.5%. So with the prime rate of 3.5% plus a 3.5% margin, you've got a 7% interest rate on a home equity line of credit.

The FHA reverse mortgage is actually a lower interest rate than a home equity line of credit. It's a higher interest rate than a 30-year fixed-rate forward mortgage that you make payments on. But it's a lower interest rate than a home equity line of credit.

But not only that, a home equity line of credit, one, you would have to make a payment. Number two would be, it's usually for a shorter amount of time.
Usually for 10 years and then they lock them on, and then whatever you owe at that point, you have to start paying it back. Usually, over another 10 years or 15 years.

Again, you have a lot more flexibility with the reverse mortgage.
You never have to pay it back.

Let's go the other direction. We've taken $150,000 out. We've sold another house, we're sitting on some extra cash and I decide I want to pay down $100,000 on my $150,000 that I used on my reverse mortgage. I can do that.
You can do it.

And it still stays there and it remains there as long as I stay living in that home and --
Right. Then you later change your mind and go, "Ah, I want to buy a motor home," and the motor home is $75,000. You can now pull $75,000 right back off that line of credit and go buy a motor home... or remodel your kitchen... or put in a swimming pool.. or put in an elevator for the upstairs for your in-law who's now going to live with you.
Or yourself as you're getting older.
Or yourself.

Now, let's say that, same situation, but I'm not 62. I'm 92. Let's go more the other extreme. I probably get more than going back to your deal, maybe taking 13 years off. Is that's what happening --?
I have never done a reverse mortgage for someone who's 95, but I've done one for someone who's about 88 years old, and that person got about 79% of the value of their home. It was a little better number because the actuarial table that FHA-HUD uses for reverse mortgages is, they assume everyone's going to live 'til 99. If you're 99, they'll give you the mortgage. You can get the most money because they figure you're going to have it for six months and they're going to get paid right back. If you get one at 99, you'll almost get a hundred percent, and if you live to be 115, so be it. But the older you get, that percentage is going up.

Yep. You hope that you can get to 99. You take the full, biggest reverse mortgage you possibly can and blow it as fast as you possibly can, right?
Right.

At that point, then you've done really well on managing your money.
Correct. Now, that brings up another question. As soon as I say 99, people usually ask me the question, "What happens when you turn 99 if you've had the reverse mortgage for ten years? Do I have to pay it back?" No. If you get one at 75 and you hit 99 and you're in the house, it's still yours and you just stay in that house. You can stay as long as you're alive, as long as you live in the house.

Let's go back a little bit earlier in the conversation about the ability to pay — even though you don't have to make the payments on the reverse mortgage, you still have other things — you have property taxes, owner's insurance, HOA, as we said. You guys now have to qualify people, not only do they have to become educated — you have to qualify them, too. Let's say I have really horrible credit, but somehow I magically got into a home that I own free and clear. Maybe I inherited it and I'm going to do a reverse mortgage on that. I come to you and I've got really bad credit. Would that affect me getting that reverse mortgage? What things happen there to get qualified?
It depends on what exactly is going on with your credit, but if a person has late payments, recent late payments or really bad credit, they can still get a reverse mortgage. What'll happen is, the lenders will now create what's called a LESA. What it is, is a set-aside. They will take 12 years' worth of taxes and insurance and put it in a pot. Then the lender will use that like an impound account, like you had a mortgage with your taxes and insurance included, but since you don't have to make a payment, they just take your current taxes and insurance and multiply it out 144 months and whatever that amount is -- $32,000 or $28,000 -- they put it in an impound account. (Escrow account, impound account — interchangeable terms.) Then every single month, they'll still give you the home equity line of credit (FHA reverse mortgage), they will then make the payments of your taxes and insurance for you. That's new. That came about with the new guidelines. The other reason they'll do that --

So, if it's not so much of my ability to pay, they'll just take that and that's where --
-- to make sure that your taxes and insurance get paid. Then, if you don't make your car payment, or you don't make your credit card payment, that doesn't affect the mortgage. They just care about your taxes and insurance and they'll pay them for you. If you have insufficient income to pay your bills, they'll do the same thing. If you have really bad, insufficient income, you might not get the reverse mortgage. That's a new guideline.

This would be an example: Somebody owns a home free and clear, they're 70 years old. The age isn't significant. They're on social security. Let's say their social security is only $900 a month. Their car payment is $450. Their taxes are $200 a month. Their insurance is $100 a month, and there's a $350 homeowner's association, and they have a $350 credit card payment. If you add all of that up -- I didn't just add it up as I spit those numbers out -- it's really close to $900. It's probably more than $900. So, here's a person who doesn't make enough money to pay their bills. They will not get the reverse mortgage.

Even though they could still do the impound --
We don't know how they're paying those bills, because people are going to say to me, whether they're sitting with me or on the phone, "But I'm paying my bills." I don't know why, because maybe one of their children gives them $500 a month cash. That's not a source of income we count. Maybe they work for cash. If we can't document a source of income, that's an acceptable source of income — we potentially could find someone whose bills are higher than their monthly income — they won't get a reverse mortgage. Even with the set-aside.

So, it just depends. It depends on its formula that's used and it depends on your income and your bills and if you're married or not and what part of the country you live in, because they also figure out a factor that they call "maintenance and utilities." They want you to have a residual income. Somebody who makes $1,800 a month and has maybe $600 or $700 in taxes and insurance and credit card payments and car payment — they can get a reverse mortgage because they have $1,000 left over, if you would. The bills are $800 — the bills we count are $800. It gives them $1,000 left over, and again, it depends on the part of the country you live in. It's approximately $500 a person that you have to have as residual income. A married couple might need $980. It just depends where they are, where they live.

So, there is an income calculation and there is a credit calculation brought into this. If you paid your property taxes and your homeowner's insurance late in the last two years, they'll create that set-aside account where the lender pays your taxes and insurance for it. It will be mandatory.

Yeah. I think you'd told me a story that somebody had just missed one --
One tax payment.

-- after her husband, I think, had died or something.
He passed away. [They] made her do the set-aside.

Never missed a payment before and missed one, and didn't even miss it, right? She was only late.
She was late and paid the late fee.

Yeah. Unbelievable. But you can understand that. Their security is the home, and if they lose the home because taxes aren't paid, et cetera, then, they've lost their part of the deal.
People aren't happy when they hear that. I fought for her, and the underwriter who was underwriting the file copied and pasted the HUD guidelines and sent them to me and they're right there: one late payment. These guidelines are new, so lenders/underwriters aren't sure: just how strict ***is*** FHA going to be? What ***if*** I would have let that person not have the set-aside with that one late payment? Maybe five years from now we'll find out, but with these new guidelines, the lenders have only been making reverse mortgages three or four years with the new guidelines, so there hasn't been a chance within the industry to see how it's going to play out in terms of default percentages, and how FHA, when they audit these files, reprimands lenders for making mistakes for doing things they didn't want them to do.

Is there ever a time, other than the ability to pay the underwriting and that sort of stuff, that somebody comes in and says, "I'd really like to do a reverse mortgage," that you say, "It's not for you?" Is there a time that that even fits in there or not, other than the technicalities that they *can't* do it? It doesn't seem like there's a negative to doing it if you understand how it works and you go forward with it.
There's a negative to doing it in the sense that you're going to lose equity in your home because the mortgage balance is going to go up and they're expensive. To borrow $200,000 is going to cost you $13,000. On a forward mortgage, you can get a $200,000 loan for $1,800 in escrow and title and appraisal fees. On a reverse mortgage, it's three or four times that. They're expensive just because of the escrow and title fees, the appraisal fee, and HUD has mortgage insurance that they charge, and some lenders charge origination fees on reverse mortgages. So you can end up paying $12,000 to $13,000 in fees, which is three to four times more than the forward mortgage.

That's clearly a negative, but it's not necessarily a reason not to do it. I would say about half the people see those fees and comment on it negatively, like, "That's crazy," but most of them still get the reverse mortgage. And the other half, I don't want to say they don't care, but they don't question it, and they don't fuss over it. They just look at it and go, "Whatever."

And it's the cost of doing it.
And it's the cost of doing it. I think a lot of people, they don't really touch it, feel it, or experience it, because you get your $150,000 reverse mortgage —and the lender, the title company... they all take their fees out of the pot — and then you get your $137,000. You're not reaching in your pocket, and if you are one of these people that says to yourself, "I'm going to be in this house 'til I die," theoretically you'll never pay that money back anyway. So, I think once people hear about those fees, they get over it. I can't recall that I've had somebody who ultimately decided not to do one because it costs too much.

But with cost come advantages, right? This is a type of loan that has huge advantages when it fits the person, right?
Correct.

So, being able to live in your home until the day that you die and never having to worry about that again, yet getting all that access to your equity or a big portion of it, is huge.
Right.

Then you've got all the other things that go along with it. You can pay it down, you can use it as a line of credit. There are all these other things that can happen. So, in your forward mortgages, there's none of that.
Right -- correct.

None at all. You can't even pay your mortgage payment ahead of time, because it gets applied to principal. There's just a lot of other things that these work for. It's like a lot of things: Sometimes, there's cost that come along with it, but if it makes sense, it makes sense.
Yeah, and it probably would be beneficial to give some examples of when to use one.

Okay. Do you want to give one of those?
Yeah. First example: someone is retired. They have three sources of retirement income. Say each source is $1,000 a month: social security, maybe a pension and maybe an annuity or some kind of separate IRA account. Now, you've got a situation where one of those three sources of income is going to go away. Clearly, social security is going to be there forever, but maybe that annuity is going to run out. Maybe it was a 10-year annuity and you're coming to the end of it, so you're going to lose a third of your income. That's a big deal, and you're going to have to make some changes.

Let's say, for the sake of argument, you have a $100,000 mortgage and you make a $700 house payment. You know that in about three more months, that annuity is going to stop and your income is going to go from $3,000 to $2,000. Now, you're looking at your expenses and go, "How are we going to do this?" You're going to have to pick up some extra income or you're going to have to get rid of some debt.

Now, you could go get a reverse mortgage if you're over 62, and if there's enough equity in your home, you get the reverse mortgage, it pays off your mortgage, your $700 payment goes away, and now, you've just reduced your bills by $700. You know your income is going to go down $1,000, so you're only $300 worse off. Now, you can look into your budget and find a way to save that. Or you can use the balance that's still left on your reverse mortgage and you, yourself, can just take $300 a month out of it and subsidize your income. So, you can use it to replace income.

Here's another example. A person who is 62, who's about to retire, who has equity in their home, could take a reverse mortgage, use the money to pay off their existing loan, get rid of their house payment and not start drawing on their social security at 62. Put it off until you're 66-and-a-half — you'll get more. Or, wait until you're 70. You'll get even more. That's another reason to use one, is to delay taking your social security.

Okay.

Another reason to use one is not just social security, but if you have money invested in a 401(k) and you're now getting to the point where you're 62, you have equity in your home, maybe it's free and clear. You're looking at your retirement account, your 401(k). Maybe you have $200,000 in it. How long do you think you're going to live? If you live 30 years, that $200,000 probably is not going to last — depends on how much money you take out and how much your financial adviser can make that grow. If you get a reverse mortgage, you can simply use it and take $1,000 or $1,100 or $1,200 out of it every month, which would be about $14,000 or $15,000 a year, and over the course of six or seven years, you'd take about $100,000 out and you could wait and put off taking the money out of your 401(k). Let it grow more, so that maybe it grows to $250,000 by the time you're 70, and now, not only you have saved yourself from drawing eight years of money out of it, but you've earned money on it. So you can have a $75,000 or $80,000 swing, by getting a reverse mortgage and letting it go.

There's another example. I've had people simply get a reverse mortgage because, literally, they want to buy a motorhome. I've had that happen more than once. And motorhomes, they're $75,000 used, $250,000 new, depending on the motorhome you want to get. I have had people get a reverse mortgage and they want a motorhome. They call me every day: "When's that gonna close? When's that gonna close? Because the dealer wants my check, because my motorhome is sitting there ready for delivery, and the dealer is calling me every day." That's another use for it.

Or, you could use it to remodel your house. You could use it to add a guest house for an in-law, for your mom or dad that's going to now live with you and you're going to take care of them, because you're 70 and you're still able to, and they're 92 and they are at your house now. Again, you could add a second story. You could add a workshop. You could do anything you want for a house remodel.

Good stuff. What about, if I've got an expensive home? Is there a "jumbo," like there is with forward or -- ?

FHA has high balance mortgages, but it's only in high cost areas: [the] Bay Area in San Francisco, Los Angeles, New York City... places where the FHA's regular forward mortgage has a higher loan amount available. That same thing is available for reverse mortgages.

So, there is some limit on it. If I've got a $2 million home, it's --

We're in Reno. FHA's maximum loan amount in Reno is $345,000. If you have a $600,000 house in Reno and you're 85 years old and you want a reverse mortgage, and you normally could qualify, maybe for $475,000, you can't do it because the maximum loan amount is $345,000.

It stays at $345,000.

Yeah, so you have to stay there.

It doesn't sound like there are many negatives at all. When you really understand the whole picture, it's about being able to utilize your equity within your home --

Which reminds me that we were supposed to come back to education.

Yeah, talk about education real quick.

The FHA requires that a prospective borrower take a counseling class. That's a new guideline. I've never taken the class but everybody tells me it takes about 90 minutes. The person who does the counseling has to be an approved counselor. We call them "HECM" [pronounced 'heck'm' .] HECM stands for Home Equity Conversion Mortgage. They have to be an approved counselor. If you're listening to this and you call a nonprofit agency and say, "I want to take the reverse mortgage counseling," you have to make sure that the counselor is a HECM-approved counselor because they have to sign the certificate.

I've actually had a couple of people go to nonprofits and be told that they were going to have the counseling and then they send me the certificate and the person who signs it isn't approved by FHA to be a reverse mortgage counselor. It happened twice and it just happened. The person who did it didn't really even know what they were doing. But the counseling can be free or it can cost -- I've seen it cost up to $135. It depends on the funding that the counseling center has at the time you call. Sometimes the federal government will fund the counseling center and say, "Here's a $10,000 grant to do reverse mortgage counseling." At $135 a pop, once it's used up, it's gone, and that very next person after it has been used up, they have to pay $135. Some counseling center say, "Everybody's going to pay $50 and will subsidize the balance with the grant money," but the point is, it's usually going to cost money, but sometimes you can find it for free. You can take the counseling in person or you can do it by phone. If you do it by phone, they'll just talk to you on the phone and they'll mail you --

They just want you to understand how it all works.
The counseling certificate has to be wet-signed by the counselor and by you, and for a married couple, both people sign it and you have to give it to the lender doing your reverse mortgage. When you finish the counseling, you have to wait one week to date your loan application. You cannot do anything other than maybe turn in your paperwork to the lender to be ready, but nothing can be dated for the first week after the counseling. Then the certificate is good for six months.

Very good. You made me smile because "Heck'am" is actually my grandmother's name --
Really?

Yes, her last name was Heckman, and I was the oldest of my generation, and for whatever reason, I called her "Heck'am." So, all of the grandkids called grandma "Heck'am."
And I don't want to throw an acronym in there because people are like, "Oh, he's throwing all these acronyms," but just to stress the point that the person does need to be a reverse mortgage-approved counselor.

Well, they would be able to go do that through you and make it happen, right?
They actually get certified by HUD and they get a number.

All right, good. Let's wrap it up. Is there any one piece of advice for our listeners, then we're going to ask you some other fun questions here at the end. But is there something that you just want to get out there more than what we talked about?
I would just say that if somebody is interested in a reverse mortgage, they should just take the counseling, because the counseling is a non-biased entity. They don't care if you get the mortgage or not, so they're going to tell you all the good and all the bad. Assuming the loan officer you choose to do your loan omits the bad part because they want you to do the loan -- but I typically start my talk with people with, "Here's all the bad stuff. Right here. It's expensive. It goes up. These are the things that are not good. Now, let's talk about how this could benefit you."

Okay, good enough.

Now, we're going to ask you just some other fun questions. What something that you do that other people think that you're crazy or is crazy?
Right now? This isn't something I've done my whole life, but for the last six months, I write down on a piece of paper pretty much every single day, the calories, the protein, the amount of carbohydrates and the amount of dietary fiber in everything that goes in my mouth. By the

end of the day, that list gets pretty long and people see me do it and I get teased about it a lot.

You know, they have apps for that.
I know they do.

Maybe, I need to get you one of these fit bits.
It works for me to write it down, because over time, I start to memorize the content, and the only reason I did it was because my cholesterol and my blood pressure were high, and I was either given the choice of taking meds — Lipitor, and I don't know what the blood pressure medication is — or lose weight, so I decided to lose weight -- 20 pounds -- and now I don't have to take the meds.

Good deal.
That's the whole reason I did it, but I get teased a lot and a lot of people say, "Don't weigh yourself every day," and you know like, "weigh the food," or something like that and for me, because I'm a math person, it works to weigh myself. I obsess about it, but it works.

You're not only a math person, but you have this memory that's unbelievable. He can remember things all the way back. It's incredible. It must be almost photographic, if not.

All right, how about this: What do you spend a silly amount of money on?
My health insurance.

Your health insurance?
Eight hundred bucks a month.

Wow, and that's only for you?
Just me. All by myself.

I thought there was the "Affordable Care Act" thing that happened, wasn't there, or --?
That's $798. I have a grandfathered policy with Anthem and it goes back 12 years. It's a grandfathered policy. It's actually a decent insurance policy, but my insurance just jumped two months ago and I could've sworn it was because I just turned 60 in May. But I was told by the insurance company, "Oh, no. It's because the pool you're in, the claims have gone up and everyone in the pool has to share the expense of claim," so I'm thinking, "BS."
My insurance jumped to $799. It's like, "You're kidding me," and it's expensive, so just last week, I did the whole Obamacare thing online and called people. It's like, $749, $798, $831 to flip over to the Affordable Care Act insurance programs, and I will get less coverage.

Right, that's the best part. It's more expensive and you get less coverage.
So, I'm sitting here looking at that like, "That's $9,600 a year and I'm reasonably healthy, and it's crazy. That gets me right now.

Well, maybe this one you should answer with the same thing, but what absolutely pains you to spend money on?
Health insurance.

Usually, we answer the silly one more on something that seems sort of silly to other people the amount that we spend it on, but health insurance there, too?
I spend a lot of money eating out, but I enjoy it, so it doesn't pain me.

I know.
It doesn't pain me to do that, but when I look at the credit card every month, I'm like, "Holy cow."

Maybe that's more what you spend the silliness on and what pains you is the health insurance.
Yeah, the insurance.

Right. It has been great having you here today and everything. Why don't you just give us your contact information? We'll make sure that it's on the website. Tell us how to get in touch with you.
Again, my name is John Terveer, my email address is JohnTerveer@Gmail.com. Cell

phone number: (909) 645-3549. That's a Southern California area code, even though I live in Carson City. I've had that phone number for probably 25 years. That's the best way to get ahold of me.

And you do mortgages in California and Nevada?
Yes, and I'm licensed in those two states.

Which is interesting, too, because you're being in Carson City, you're not in Reno -- which, Carson isn't very far away -- but you do a lot of stuff all through the telephone, right?
Yeah. I do a lot --

I don't have to be sitting in front of you to do it all.
Correct. I do a lot of business in Reno, I do a lot of business in Las Vegas, and because I moved here 14 years ago from Southern California, I still do a decent amount of business in Southern California. People get ahold of me through email, phone calls. Some people text message. Even some people my age, they text message me, they take pictures of paycheck stubs and they text them to me and I get them over to my email and print them — whatever is easy. You can still fax to me -- I don't have a fax machine, but it's an electronic fax. I have got all the ways to make it happen.

You know, 60 is not old.
I know that.

Because you said, "People my age even do this."
Well, because typically, people who are 60 aren't big on texting, taking pictures. It depends.

Yeah, it depends.
I do a lot of loans for people that are just right in my age group and a lot of people are extremely computer-challenged, and I'm able to help them if they're extremely computer-challenged. I can do a whole loan by paper and we can actually talk on the phone, or we can actually sit down together like we used to do.

Right. Face-to-face.
We have a joke in my office when you're getting frustrated with a situation and you need to move it along and it's like, "Here's an idea: why don't we just pick up the phone and call the person like we used to do?" We can still do business the old-fashioned way. We can just sit down and BS and have a two-and-a-half-hour appointment and get everything done.

All right. Well, very good. Thanks for coming along today.
Thank you.