Reverse Your Thinking ®

EDUCATIONAL RESOURCE SERIES
Collaborate. Educate. Problem-Solve.

TRUSTS

Understanding trusts, estate planning, property ownership, and reverse mortgage requirements.



WHAT IS A TRUST?

A Trust is an estate-planning tool that manages property during one's life and can also replace or supplement the need for a last will and testament. If properly created, a Trust can hold title to real property with the same rights of possession and alienation as an individual.

COMPONENTS OF A TRUST

The Creator: The individual who creates the trust. Also known as the **"Trustor"**, **"Grantor"** or **"Settlor"**

The Trustee: The individual(s) who manages the trust. The trustee has a fiduciary duty to act in the best interest of the beneficiaries when dealing with trust property and assets

The Beneficiary: The individual(s) who receives the Trust benefits

TYPES OF TRUSTS

There are various types of trusts, but the most common seen in the HECM industry are:

Inter-Vivos Revocable Trust: This is a Latin legal term that means "between the living," and refers to a trust made during one's lifetime, as opposed to a testamentary trust, which is a trust that takes effect upon death.

Irrevocable Trusts: This type of Trust cannot be easily changed, amended or canceled once it is set up. Often times this type of Trust may require court action to alter its terms as it was created to protect the wishes of the trustor.

WHY DO PEOPLE GET TRUSTS?

Many senior citizens create trusts to avoid estate-planning concerns and avoid federal estate taxes. Another reason for establishing a trust is to transfer assets outside of a formal probate process after death.

WHAT IS PROBATE?

Probate is the legal process that takes place after someone dies that includes distributing the deceased person's property according to their last will and testament or applicable state law.

Probate can be costly, time consuming and normally require attorneys. However, if a home is titled in a trust, the home will not be included in the formal probate process and title to the home will pass outside of probate pursuant to the trust's directions.

MOST IMPORTANT

The terms of the Trust must grant the Trustee(s) the power and authority to borrow money & mortgage trust property. The primary beneficiaries of the trust must be the individual(s) establishing the trust.

All borrowers must be the immediate beneficiaries and all immediate beneficiaries must be the borrowers.
The terms of the Trust will govern who has the authority to execute closing documents.

Irrevocable Trusts are ineligible under some lender guidelines.
A copy of the full Trust, Amendments & Restatements will be required for review.

Trust Certifications are allowed in some states. However, they may not contain all necessary information to determine eligibility & a copy of the full Trust must be provided.

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