

Processing and Underwriting Reverse Mortgages

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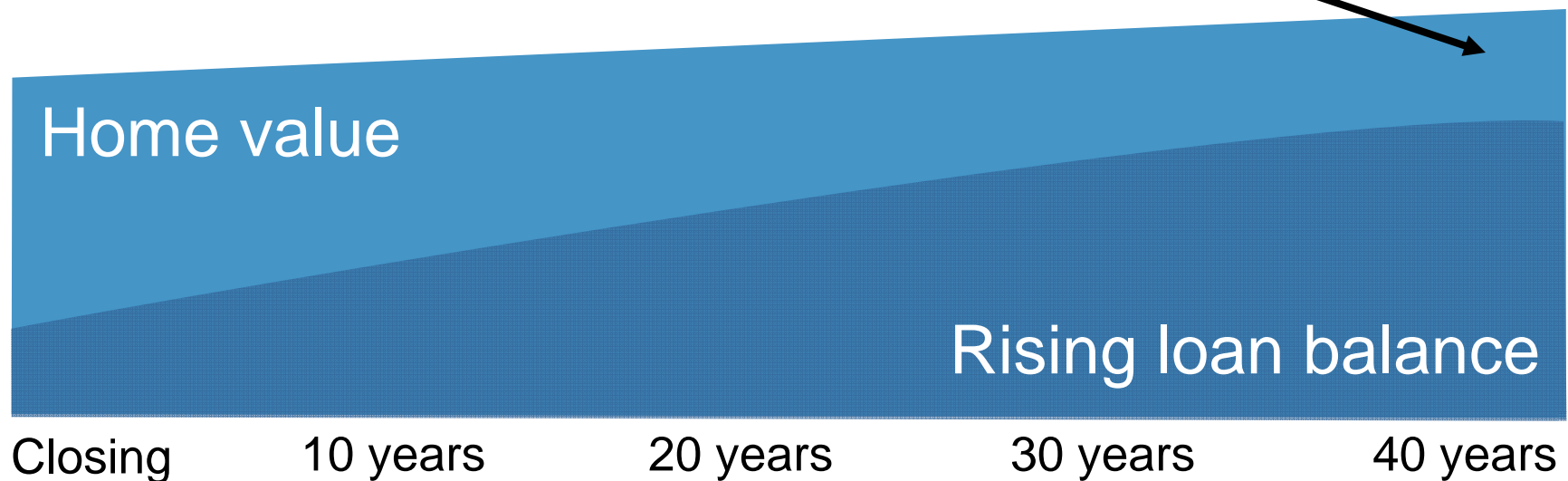


What You May Already Know...

- For senior citizens (62 and older)
- We lend money based on home equity
- Borrowers don't repay until end of loan
 - Move out permanently
 - Sell home
 - Pass away

What You May Already Know...

Borrowers or heirs typically retain some equity at loan maturity



For illustration purposes only. Results will vary for each customer.

Different from Conventional Loans

- No income, asset or employment qualifications
- Minimal credit requirements
- No verification of employment
- Credit scores not used

Similar to Conventional Loans

- Mortgage lien against the property
- Loan processing, underwriting and closing very similar to FHA Forward loans
- Loan can be refinanced
- Existing liens can be paid off using loan proceeds
- Borrowers retain title to property

Available Products

- Similar loan guidelines for all

HECM	HomeKeeper	Cash Account
FHA/HUD Product	FNMA Product	FF Proprietary
\$362,790 Lending Limit	\$417,000 Lending Limit	Lending Limit will vary based on investor guidelines
FHA/HUD Insured Loan	No MIP	No MIP

Key Loan Documents

- Counseling certificate
- Application disclosures
- FHA Connection documents
- Credit report
- Appraisal
- Title
- Insurance
- Proof of Date of Birth and
- Social Security Number Verification

Counseling

- To ensure that borrowers learn loan details from disinterested third party
- Product specific
- Must offer either application or counseling face-to-face
- Borrowers may decline face-to-face interview

No Processing Before Counseling

- Varies by state and product

No

- Credit Report
- Case Number
- Appraisal
- Inspections
- Title Commitment

Yes

- Discuss loan
- Take application

Documents at Application

- Application 1009 replaces 1003
 - Does not collect employment history
 - Still collects HMDA data
- Special calculation disclosures
- Requires loan-specific software or alterations to existing software

Issues to Watch for at Application

- Change the application and counseling process
- POAs
- Guardians/Conservators
- Non-borrower spouses
- HECM-to-HECM Refinances

FHA Connection

- Case Number
- CAIVRS report
- Limited Denial of Participation
- Excluded Parties Listing System

Credit Report (HECM only)

- Tri-merge in-file credit report with tax records
- Don't look for:
 - Income
 - Employment
- Do look for:
 - Things that affect our lien
 - Identity, etc.

- New, unrecorded liens
 - Confirm with title and pay off if against home
- Tax liens
 - Pay off if Federal or against property
- Delinquent student loans
 - Pay off or get deferral agreement
- Judgments
 - Must be paid if federal or against property
- Occupancy and Identity
 - Borrower must live in property
 - Check for identity discrepancies
- Bankruptcies
 - Depends on type of bankruptcy

Bankruptcies

- Chapter 7 must be dismissed or discharged—need a copy of court order
- Chapter 13
 - Obtain payoff from court, OR
 - Obtain permission from court to continue with loan and bankruptcy simultaneously

Appraisal Format

- HECM: Appraiser must be FHA approved
- URAR format
- Same property guidelines as FHA

Eligible Property Types

HECM	HomeKeeper	Cash Account
SFR	SFR	SFR
Newly Completed	Newly Completed	Newly Completed
1-4 Units	No MultiUnits	1-4 Units
PUD	PUD	PUD
Condo - FHA or Spot Approved	Condo – Spot Approved	Condo – Spot Approved
Manufactured	No Manufactured	No Manufactured
No Co-Ops	No Co-Ops	Co-Ops in NY

Repairs

- Common issue for senior borrowers
- Identified by appraisal or inspection
- Complete prior to closing and get inspection OR
- Escrow to complete after closing

	Not required	Escrow	Prior to close	File Rejected
Cosmetic	✓			
Non-cosmetic, safe to occupy		✓	✓	
Hazardous or structural			✓	✓
Under 15% of max claim amt		✓	✓	
15 to 30%			✓	
30% or higher				✓

Title Commitment

- Required prior to loan submission for underwriting
- Vesting must be in our borrower's name
 - Non-borrowers may be removed
 - Be careful if living spouse is on title
- Life estate acceptable (except TX)
- Trusts acceptable (except TX)

Trust Requirements

- Agency loans: must be revocable
- Proprietary loans: may accept irrevocable
- Borrowers must be sole beneficiaries in their lifetime
- Trustees must be able to encumber property
- Trust must be written for same state as property location
- If home goes into trust after closing, trust must meet same requirements

Liens & Judgments

- All liens must be paid off
- Can be subordinated (lender takes 3rd position)
- Judgments against home and federal judgments must be paid
- Taxes paid at closing

Insurance

- Flood certificate required
- Hazard insurance required
- Check early in process
 - Home more likely to be paid in full
 - Insurance may be lapsed
 - Coverage amounts may be low



**Thank you for
attending!**

Questions?

