

Reverse Mortgages at a Glance

Topic	Description
Definition	A reverse mortgage is a unique financial tool which enables homeowners, age 62 and older, to tap into their home's equity and receive either a monthly income, lump sum of cash or a line of credit. There is no income or credit qualifying and there is no required repayment until the homeowner permanently leaves the home or defaults on the terms of the loan. The borrower retains full ownership of the property.
Qualifications	Applicants must be at least 62 years of age. Proceeds from a reverse mortgage may be used for any purpose after the payoff of any existing liens/mortgages on the property. Borrowers must also live in their home as their primary residence, which means they cannot live elsewhere for more than 365 consecutive days.
Determination of Loan Amount	For HECM loans, the loan amount is based on the lesser of the home value or the FHA established 203b single-family county lending limit (Max Claim Amt), the number and ages of the homeowners, and the current expected interest rate. For Home Keepers, the loan amount is based on the less of the home value or the national lending limit (\$417,000 for 2007) and the number and ages of the borrowers. For Reverse Select loans the loan amount is based on the adjusted property value and the age and number of borrowers.
Maximum allowable home value -	Varies depending on the reverse mortgage program selected. The FHA-Insured program has county single family lending limits ranging from \$200,160 to \$362,790. The Fannie Mae Home Keeper program uses a nationwide single-family limit, currently \$417,000.
Counseling	All borrowers are required to receive counseling from a third-party counseling agency. Counseling may be performed in-person or via telephone. The counseling must be completed and the counseling certificate must be received by the lender with the borrower's original signature and date before processing of an application can begin. Exception: May order preliminary title commitment and/or AVM prior to counseling.
Payment Plans	Reverse mortgage borrowers can choose from several payment plan options: Tenure: Borrower receives a monthly check for as long as they live in the home Term: Borrower receives a monthly check for a specified time period (not available on Home Keeper) Line of Credit: Borrower can establish a line of credit equal to the principal limit Lump Sum: A lump sum of cash paid to borrower at funding Modified Tenure: A combination of tenure and line of credit. Modified Term: A term plan combined with a line of credit (Not available on Home Keeper)
Processing Time	On average, it takes 4-6 weeks to process a reverse mortgage.

Reverse Mortgages at a Glance (con't)

Topic	Description
Closing Costs	Closing costs are financed into the loan and include, but are not limited to, the appraisal, title insurance, FHA mortgage insurance premium, origination fee, doc prep fee, recording fees and escrow/settlement fees.
Interest Rate	The interest rate charged varies depending on the reverse mortgage program selected. All programs have adjustable rates, and have lifetime caps on the maximum allowable rate. ** HECM Fixed Rate program is available through EBRM.
Impact on Income Taxes and Social Security	Proceeds from a reverse mortgage are considered a loan, not income. Therefore, the funds received are not subject to income tax and do not affect social security benefits. Borrowers receiving Medicaid may not be affected if the funds from the reverse mortgage are spent in the month they are received. The borrower should consult their tax advisor for further details.
Repayment	The reverse mortgage becomes due and payable at the time the last remaining borrower permanently leaves the home or the borrower(s) defaults on the terms of the loan. The reverse mortgage can be repaid from the proceeds of the sale of the property, other liquid assets, or obtaining other financing. The loan balance consists of the financed closing costs, the cash that has been advanced to, or on behalf of, the borrower and any interest that has accrued. Remaining equity belongs to the borrower or their heirs. The reverse mortgage is subject to a non-recourse limit, which means the borrower or their heirs will not owe more than the fair market value of the home at time the loan is repaid.
Items needed to apply	<p>The information listed below should be available at the time the application is originated:</p> <ul style="list-style-type: none"> ✓ Counseling certificate provided by third party reverse mortgage counselor ✓ Official evidence of date of birth ✓ Current picture ID ✓ Evidence of social security number (Clear, legible copy of social security card, Medicare card or other official government- issued document) ✓ Copy of recent property tax statement and homeowner's insurance statement, if available ✓ Copy of death certificate of spouse if a widow(er). This is needed only if the deceased spouse has not been removed from title to the property ✓ Names, addresses and account numbers for existing mortgage debt which is to be paid off with the reverse mortgage ✓ Copy of homeowners insurance (and flood insurance, if applicable) coverage ✓ If the property is held in a trust, a copy of the Trust Agreement and any addendums ✓ If the person signing the loan application has a Power of Attorney for the borrower, a fully executed, notarized copy of the Durable Power of Attorney