

Frequently Asked Questions for Advisors

1. How does your client qualify for a reverse mortgage?

To become eligible for a reverse mortgage, the borrower must be at least 62 years old and own **their** home And have enough equity in the house to pay off any outstanding balances or liens. The home must be occupied as the borrower's principal residence.

2. How much money can my client get?

The amount of money that a lender will loan depends upon how old your client is at the time of closing, how much their house is worth, the total amount of liens, and current interest rates. The type of reverse mortgage product and the payment options can also affect the amount of money you will receive. There are some limitations on how much of the total available proceeds that can be used in the first year of the loan.

3. How does a borrower receive money?

There are several different options to choose from. Borrowers can take the money in a lump sum, set up a line of credit, monthly payments, or a combination of all three. Some fixed rate products require a lump sum distribution and do not offer a line of credit or monthly payments.

4. What costs are associated with a reverse mortgage?

The costs of a "forward" loan are similar to a reverse mortgage loan. For example, an origination fee is paid to the broker/lender, a MIP (mortgage insurance premium) is paid to HUD on the Home Equity Conversion Mortgage (HECM), an appraisal fee, a flood certification fee, a doc prep fee, title and settlement fees, and other standard closing costs. The upfront Mortgage Insurance Premium charge is based on the percentage of proceeds the borrower will use in the first year. 1/2 % for those using 60% or less of total proceeds and 2.5% for those using more than 60% of total proceeds in the first twelve months.

5. Is it required that borrowers receive counseling before getting a reverse mortgage?

Yes. Counseling with a third party HUD-approved counselor is required to protect borrowers from receiving incorrect information about reverse mortgages and to insure all available options are discussed. Counseling also helps the borrower understand their ongoing responsibilities while in a reverse mortgage. The lender must be in receipt of the counseling certificate before they can incur any costs on the borrower's behalf. Your client will receive a list of counseling agencies with their reverse mortgage proposal.

6. Do your clients get taxed on the money they receive from a reverse mortgage?

The equity in a borrower's home is considered their money and the proceeds from a reverse mortgage are typically considered tax free* (seek the advice of a tax professional)

7. Do borrowers have to pay any fees to the reverse mortgage lender during the course of a loan?

A reverse mortgage was created so borrowers can finance the majority of the fees in the loan. Borrowers are typically expected to pay the cost of their appraisal which would be an upfront fee and for counseling unless the agency waives the fee. Some loans require and charge an ongoing monthly service fee which the lender creates a "set-aside" account for. For more information on the service set-aside, please talk to your loan officer.

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8. Are borrowers responsible for paying homeowner's insurance and property taxes?

Yes. Property taxes homeowner's insurance and other property charges must be paid and current at all times. If your client chooses, and if loan proceeds are available, the lender can set aside funds for their taxes and insurance. Failure of a borrower to pay property taxes and homeowner's insurance can cause the loan to go into default making the loan due and payable

9. Does my client's house have to be in prime condition in order to receive a reverse mortgage?

No. An appraiser will appraise the house following FHA guidelines or the lender's guidelines depending upon the reverse mortgage program. If the house needs to be repaired, the lender may require repairs prior to closing the loan. A repair set-aside may be issued allowing for repairs to be made after closing if there is sufficient money after paying off any existing mortgage(s).

10. What is a repair set aside?

If repair work is done after the close of escrow, the lender will hold 1 and 1/2 times the amount of money it costs to repair the item. Once the work has been completed, a final bill will be submitted to the lender, and they appropriate parties. Any unused monies from the repair set aside can be added back to the line of credit or returned to the borrower.

11. Is my client limited as to how they can use the money received from a reverse mortgage?

Your client can use the money however they like. Borrowers have used a reverse mortgage for eliminating existing mortgage payments, vacations, home modifications, healthcare expenses, in home care, new vehicles or to supplement monthly cash flow. Borrowers are restricted to using 60% of total available funds (principal limit) in the first year unless their mandatory payoffs (mortgage, liens) exceed 60%.

12. Does the bank hold title to a borrower's house while the reverse mortgage is outstanding?

No. The person receiving the reverse mortgage must be on title during the course of the loan and retains full title and ownership of the property. The property may remain in a trust as well. The bank is listed as a lien holder just as they would in a traditional mortgage loan.

13. How is the interest rate determined on the reverse mortgage?

For the Home Equity Conversion Mortgage (HECM), the interest rate is adjusted either monthly or annually based on an index called the "London Interbank Offered Rate" or LIBOR. For the adjustable rate reverse mortgage there is the initial interest rate which is the actual interest charged at the beginning of the loan and adjusts each month and the "expected" rate which is the assumed rate that the amount of proceeds are based on. The lower the expected rate the more proceeds a borrower qualifies for. The fixed rate loan has only an initial rate which is the guaranteed rate for the life of the loan.

14. If my client's spouse isn't 62, will they remain on title?

All parties on title must be at least 62 in order to receive a reverse mortgage. If you are considering removing someone from title to obtain a reverse mortgage, please seek legal counsel and a tax consultant regarding your particular situation as there are specific risks if the borrower dies for the surviving occupants who are not on title.

ADVISOR

REQUEST FOR REVERSE MORTGAGE ILLUSTRATION /QUOTE

THANK YOU!

Fax this form to my office (see website contact info at top of site):

Client name

Date of birth

Spouse's name

Date of birth

Phone

\$ _____
Property value

address

city

zip

All Mortgages & loans on property owing:

Company

\$ _____
Amount

Company

\$ _____
Amount

Referring agent: Name: _____ **phone** _____

Thank you!