



# How to Handle Reverse Mortgages

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At Your Service Mobile Notary  
*Owner, Notary Coach & Signing Professional*

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## Workshop Format



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## Objectives

- Learn what a reverse mortgage is
- Recognize reverse mortgages available
- Understand restrictions and reasons for accelerated payment
- Identify documents and steps unique to reverse mortgages
- Specify desired signing agent traits
- Identified and review top exceptions

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## What Is a Reverse Mortgage?



- Allows homeowners 62 and older to borrow against the equity in their homes
- Owner receives money from the lender instead of making payments to the lender
- Over time, home owner equity decreases




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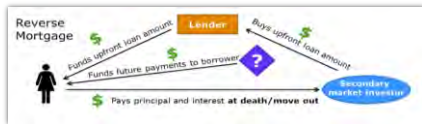
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## Types of Reverse Mortgages



- Single Purpose
- Proprietary
- FHA Home Equity conversion mortgages or HECMs




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## Single Purpose Reverse Mortgages



- State/local government backed
- Low cost loans
- Available only to low or moderate income borrowers
- Money has limited purpose:
  - home repairs
  - improvements
  - property taxes

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## Proprietary Reverse Mortgages

- Private loans backed by companies that market them
- Not subject to HECMs, but emulate
- Sometimes called: *Jumbo*
- Used for higher-valued homes




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## FHA Home Equity Conversion Mortgages

- Referred to as: HECMs
- Insured by the U.S. Dept. of Housing and Urban Development (HUD)
- Account for 90% of all reverse mortgages



Current Age	62	7	58.00%
Home Appraised Value	\$ 250,000		
Lender 1 Origination Fee	\$ 20,000	\$ 4,000	2.00%
Lender 2 Origination Fee	\$ 50,000	\$ 500	1.00%
3rd Party Closing Fees	\$ 2,500		
Total Origination Fees	\$ 72,500		
Mortgage Insurance Premium	\$ 250,000	\$ 7,000	2.80%
Total Closing Fees	\$ 99,500		
Borrowing Limit Balance / LTV	\$ 150,500		60.20%
Available LTV	\$ 152,000		60.80%
Available Loan of Credit	\$ 145,000		58.00%
	\$ 30,000		12.00%

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## Who Can Qualify for a Reverse Mortgage?

- No credit qualification
- Borrower must be 62 years or older
- Property must be borrowers primary residence
- Single family home or 2-4 unit home with at least one unit occupied by the borrower
- HUD approved condominium project




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## How Is the Money Released to the Borrower?



- **Lump sum payment**
- **Term payments**
  - Equal monthly installments for a fixed amount of time
- **Tenure payments**
  - Equal monthly installments as long as the borrower lives in the home
- **Line of Credit**
  - Allows the borrower to draw funds, until the allowed amount is used up
- **Modified**
  - Combination of **term** and **tenure**




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## How Much Equity can the Borrower Take Out of the Home?



- Original principal limit is calculated
- 3 ways the amount may be reduced
  - Allowable closing costs, 3rd party fees
  - Allocation of expected servicing fees
  - Set asides to reserve funds for taxes, repairs and loan advances




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## When Is the Loan Paid Back?



- When the last surviving borrower dies, sells the home or permanently moves out
- Defaults

**Permanent move out means:**

- No borrower has lived in the house for over a year
- Borrower has been placed in Long Term Care




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## Reasons a Borrower May Be in Default



- Not making repairs
  - Condition during 1<sup>st</sup> year of loan
- Not paying taxes and insurance
- Filing bankruptcy
- Not maintaining property after the 1<sup>st</sup> year




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## Monitoring Reverse Mortgages



- Maintenance of property condition
- Confirmation of tax and insurance payments annually
  - Set Asides




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## Unique Documents for a Reverse Mortgage



- Two (2) security instruments/notes
- Counseling certificate
- Residential application for reverse mortgages
- Property repair documents (pest control invoice, termite inspection report, etc.)
- Total annual cost rate disclosure




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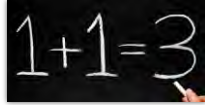
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## Why Do Reverse Mortgages Get Bad Press?



- Products are complex
- Misleading advertising
- Misuse by younger borrowers




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## Special Concerns for Signing Agents



- Higher than normal borrower's fees
- Cost of mortgage insurance (unique to HECM)
- Reverse mortgage counseling fees
- Servicing fees over the life of the loan
- Advanced age of the borrowers




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## Special Concerns – Advanced Age of borrowers



- Screening signers for alertness and willingness is vital
- Slower pace of signing
  - Takes up to 2 hours
  - Rushing may cause confusion
- Repeated reminders for stipulations may be required
- Take firm but gentle control of the appointment




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### What Do Signing Services want from a Signing Agent?



- Willing to take extra time
- Ability to put client at ease
- Ability to redirect questions to the appropriate contact




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### What Do Signing Services want from a Signing Agent?



- Strong screening skills for alertness
- Willing to give extra reminders for stipulations
- Willing to take specialized training




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### Common Errors for Reverse Mortgages



1. Unsigned document in the package
2. Undersigned documents
3. Incorrectly signed documents
4. Incomplete acknowledgments




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## Common Errors for Reverse Mortgages



- 5. Missing document
- 6. Incorrect acknowledgments
- 7. Stamp:



- Missing
- Blurred
- Over verbiage




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## Summary



- Loan for borrowers 62 and over
- Most common reverse mortgage is called HCEM, it requires counseling session to obtain and insured by FHA
- No payments due during life of the loan
- Special documents
- Ability to work with older demographics
- Strong Notary skills

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## Thank You!



- Questions?
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