



# The Flawless Reverse Mortgage Signing

Session: 125 & 224

NATIONAL NOTARY ASSOCIATION



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## Objectives

- Learn what a reverse mortgage is
- Recognize available reverse mortgages
- Understand restrictions and reasons for accelerated payment
- Identify documents and steps unique to reverse mortgages
- Specify desired signing agent traits
- Identify 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, homeowner equity decreases



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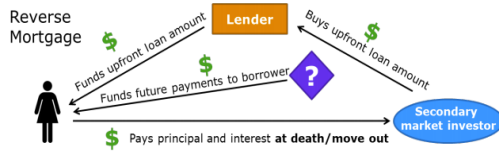
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## How does it work?



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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 Mortgage

- 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 Mortgage

- Private loans backed by companies that market them
- Not government insured
- Sometimes called: **Jumbo**
- Used for higher-valued homes



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## FHA Home Equity Conversion Mortgage

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



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## Who Can Qualify For a Reverse Mortgage?

- No credit qualification
- Borrower must be 62 years or older
- Property must be borrower's 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 line is depleted
- **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



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

- Allocation of expected servicing fees
- Set aside 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
- Permanently- not living in the residence for one continuous year
- Defaults



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### Reasons a Borrower May Be In Default

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



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### Monitoring a Reverse Mortgage

- Maintenance of property condition
- Confirmation of tax and insurance payments annually
- Confirming residency of borrower



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### Unique Documents for a Reverse Mortgage

- Two (2) Security Instruments/Notes
- Counseling Certificate
- HUD- does not use a CD
- Repair Rider and any invoices
- Total Annual Cost Rate Disclosure
- HECM Scheduled Closing Costs
- HECM Loan Agreement
- Pay Plan
- HECM Print Screen
- Additional miscellaneous documents such as a borrowers notice



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### Why Do Reverse Mortgages Get a Bad Rap?

- Products are Complex
- Misleading Advertising
- Conceived misuse by younger borrowers
- Misunderstood
- Depletion of Equity
- High Closing Costs



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### Why Do Reverse Mortgages Get a Bad Rap?

#### First - the Bad

Reverse Mortgages are Negative Amortization Loans

- The balance grows every month
- Interest compounds on your interest
- If you live for a long time, there may be no equity left for you or your heirs

#### BUT

- You can never owe more than the house is worth



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### Why Do Reverse Mortgages Get a Bad Rap?

- **Negatives**
  - Heirs inherit home with a lien
  - Closing costs
  - Balance grows over time
- **Positives**
  - You NEVER have to make a mortgage payment
  - Cash flow
  - Credit line or monthly payment



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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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### Working With Older Signers

- Screening signers for competency and willingness
- Slower pace of signing leads to longer signings
- Your approach may be different than a regular refinance
- Take firm but gentle control of the appointment
- Be certain to include any family members who are present
- Adjust both the tone and volume of your voice
- Rushing may be perceived as though you are "pulling one over" on the borrower



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## What Do Signing Services Expect of You?

- Willing to take extra time and care
- Ability to put client at ease
- Ability to redirect questions to the appropriate contact at the time of signing
- Basic understanding of reverse mortgages
- Thoroughness in execution of documents



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## Common Errors For Reverse Mortgages

- The loan application not signed at the top of the first page
- The HUD addendum not signed in both spots
- The HECM counseling certificate not signed



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## Common Errors For Reverse Mortgages

- Documents not collected at closing such as a death certificate or counseling certificate
- Documents that require a box to be checked, such as the annuity form or proceeds form, are not completed



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## Summary

- Loan for borrowers 62 and over
- Most common reverse mortgage is called HECM – requires a counseling session and is government insured
- No payments due during life of the loan
- Additional documents in the package
- Ability to work with older demographics
- Strong Notary and organizational skills



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## Additional Resources

**National Reverse Mortgage Lenders Association-  
NRMLA**

[www.nrmlaonline.org](http://www.nrmlaonline.org)

**Federal Trade Commission**

<https://www.consumer.ftc.gov/articles/0192-reverse-mortgages>

**HUD**

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hecm/rmtopten](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/rmtopten)



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## Questions?



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## Instructor Information



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