The Flawless Reverse Mortgage Signing
Session: 125 & 224

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

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
How does it work?

Types of Reverse Mortgages

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

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
Proprietary Reverse Mortgage

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

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

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
**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

**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

**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
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

Reasons a Borrower May Be In Default

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

Monitoring a Reverse Mortgage

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

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

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

<table>
<thead>
<tr>
<th>Negatives</th>
<th>Positives</th>
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<tbody>
<tr>
<td>▪ Heirs inherit home with a lien</td>
<td>▪ You NEVER have to make a mortgage payment</td>
</tr>
<tr>
<td>▪ Closing costs</td>
<td>▪ Cash flow</td>
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<tr>
<td>▪ Balance grows over time</td>
<td>▪ Credit line or monthly payment</td>
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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 |

### 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 |
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

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

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
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

Additional Resources

National Reverse Mortgage Lenders Association - NRMLA
www.nrmlaonline.org

Federal Trade Commission
https://www.consumer.ftc.gov/articles/0192-reverse-mortgages

HUD

Questions?