



The Flawless Reverse Mortgage Signing Experience

Objectives

- Learn what a reverse mortgage is
- Recognize types of reverse mortgages available
- 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

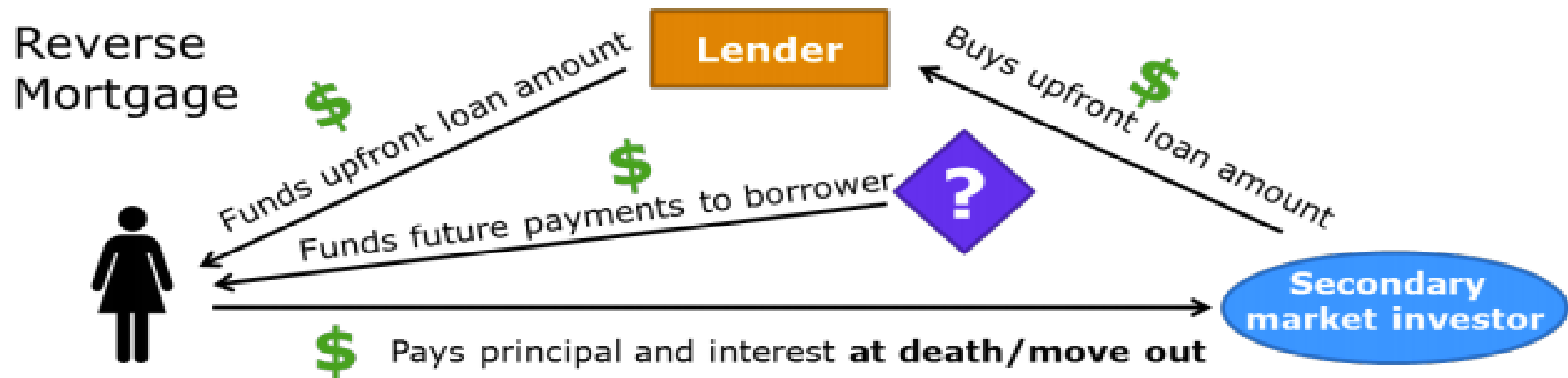
What is a Reverse Mortgage?

- 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



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 but you cannot be in default of any federal debt
- 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, or approved manufactured home.
- Participate in a consumer information session given by a HUD- approved HECM counselor

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**





The Mortgage Amount is Based On:

- Age of the youngest borrower or eligible non-borrowing spouse
- Current interest rate; and
- Lesser of appraised value or the HECM FHA mortgage limit of \$625,500 or the sales price

Know the Difference

- Principal Limit/Loan Amount \$129,600.00
- Title Insurance Coverage/Appraised Value of the Property:\$225,000
- Maximum Claim Amount: \$337,500.00

Items That Reduce the Funds To Borrower

1. Allowable closing costs, 3rd party fees
2. Allocation of expected servicing fees
3. Set asides to reserve funds for taxes, repairs and loan advances
4. Payoff of a current mortgage, taxes and other liens

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

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

<p style="text-align: center;">Negatives</p> <ul style="list-style-type: none"> - Heirs inherit home with a lien - Closing costs - Balance grows over time 	<p style="text-align: center;">Positives</p> <ul style="list-style-type: none"> - You NEVER have to make mortgage payment! - Cash Flow - Credit line or monthly payments
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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

Dealing With an Older Signer

- 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 there
- Watch both the tone and volume of your voice
- Rushing may be perceived as though you are “pulling one over” on the borrower



Tips

- Make certain you have reviewed the documents and are familiar with them
- Have all your “tools” ready- pens, inked stamp, list of items to collect
- Have the contact information of someone you can call with questions during the signing

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.
- Original 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 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

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/rmtopten

Questions?





NATIONAL NOTARY ASSOCIATION