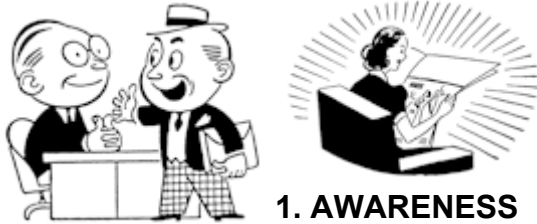


# The Process of Getting a Reverse Mortgage



## 1. AWARENESS



Borrower learns about reverse mortgages from a news article, ad, direct mail, word-of mouth, etc.

## 2. ACTION

If necessary, borrower seeks additional information by contacting a lender.

## 3. COUNSELING

Borrower seeks counseling from a HUD-approved counseling agency. Counseling is mandatory regardless of which reverse mortgage product a borrower chooses to get.

The counseling is usually conducted face-to-face, although telephone counseling is becoming more prevalent. The counselor provides supplemental information on reverse mortgages, determines whether the borrower is eligible to get a reverse mortgage, and discusses other options that may be available to the borrower to assist them with their daily living.

## 4. APPLICATION / DISCLOSURE

Consumer fills out application for reverse mortgage and selects payment option: fixed monthly payments, lump sum payment, line of credit, or a combination of these. Lender



discloses to consumer the estimated total cost of the loan, as required by the federal Truth in Lending Act. Lender collects money for home appraisal.

Consumer provides lender with required information, including photo ID, verification of Social Security number, copy of deed to home, information on any existing mortgage(s) on property, and counseling certificate.

## 5. PROCESSING

Lender orders appraisal, title work, lien payoffs, etc. An appraiser comes to your home.

The appraiser is responsible for assigning a value to the home and determining the physical condition of the property. If the appraiser uncovers structural defects that require repair, the borrower must hire a contractor to complete the repairs after the reverse mortgage closes.

The Process of Getting a Reverse Mortgage (*continued*)

## 6. UNDERWRITING

After receiving all pertinent information and data, lender finalizes loan parameters with consumer (i.e., determining payment option, frequency of loan interest rate adjustments) and submits loan package to underwriting department for final approval.

## 7. CLOSING

If the loan package is approved, closing (signing) of loan is scheduled. Initial and expected interest rates are calculated. Closing papers and final figures are prepared. Closing costs are normally financed as part of the loan. Lender or title company has consumer sign loan papers.



## 8. DISBURSEMENT

Borrower has three business days after signing papers in which to cancel the loan. Upon expiration of this period, the loan funds are disbursed. Borrower accesses the funds in the form of the payment option selected. Any existing debt on the home is paid off. A new lien is placed on the home. The borrower may use the loan proceeds for any purpose. The interest rate



charged on the loan generally is adjusted periodically

(i.e., monthly or yearly).

During the life of loan, the loan servicer disburses monthly payments to the borrower (if this option is chosen), advances line of credit funds to the borrower upon request, collects any repayments by the borrower on the line of credit, and sends periodic statements to the borrower.

## 9. REPAYMENT

Consumer doesn't make any monthly mortgage payments to lender during the life of the loan. The reverse mortgage becomes fully repayable upon: the death of the borrower or last co-borrower; the sale of the home by the borrower; a permanent move from the home by the borrower (i.e., to a nursing home), or another event after which the home is no longer the borrower's principal residence.

The loan may be repaid by the borrower or borrower's heirs/estate, with or without a sale of the home. The repayment obligation can't exceed the home's value or sales price.