

# Steps to Getting a Reverse Mortgage



## 1. Awareness

Homeowner learns about reverse mortgages from a news article, advertisement, word-of-mouth, etc.

## 2. Upfront Education

Homeowner contacts a reverse mortgage lender or the National Reverse Mortgage Lenders Association to learn more about reverse mortgages.



## 3. Counseling



Homeowner seeks counseling from a local HUD-approved counseling agency, or a national counseling agency, such as AARP (800-209-8085), National Foundation for Credit Counseling (866-698-6322), or Money Management International (877-908-2227). Counseling is required for all reverse mortgages and may be conducted face-to-

face or by telephone.

By law, a counselor must review (i) options, other than a reverse mortgage, that are available to the prospective borrower, including housing, social services, health and financial alternatives; (ii) other home equity conversion options that are or may become available to the prospective borrower, such as property tax deferral programs; (iii) the financial implications of entering into a reverse mortgage; and, (iv) the tax consequences affecting the prospective borrower's eligibility under state or federal programs and the impact on the estate or his or her heirs.

## 4. Application/Disclosure



Homeowner fills out a loan application and selects a payment plan, whether fixed monthly payments, lump sum payment, line of credit, or a combination of these. Lender discloses to homeowner the estimated total cost of the loan, as required by the federal Truth in Lending Act. Homeowner provides lender with required information, including verification of Social

Security number, copy of deed to home, information on any existing mortgage(s), and counseling certificate.

## 5. Processing

Lender orders an appraisal, which the homeowner pays for, to place a value on the home. The appraiser makes sure the physical condition of the property meets FHA guidelines. If any structural defects are found, the homeowner must hire a contractor to complete the repairs after the reverse mortgage closes.



## 6. Underwriting

After receiving all pertinent information and data, lender finalizes loan parameters with homeowner (i.e., determining payment option, frequency of loan interest rate adjustments) and submits loan package for final approval. It can take anywhere from 4-8 weeks (sometimes sooner, sometimes longer) to underwrite a loan package.



## 7. Closing

If the loan package is approved, closing (signing) of loan is scheduled. 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 homeowner sign loan papers.

## 8. Disbursement

Homeowner has three business days after signing papers in which to cancel the loan. Upon expiration of this period, the loan funds are disbursed.

Homeowner 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 homeowner may use the loan proceeds for any purpose. The loan "servicer" manages the account and is responsible for disbursing monthly payments to the homeowner (if this option is chosen), advancing line of credit funds upon request, collecting any repayments on the line of credit, and sending periodic statements.



## 9. Repayment

Homeowner doesn't make any monthly mortgage payments during the life of the loan. The loan is repaid when the homeowner ceases to occupy the home as a principal residence. The loan may be repaid by the homeowner or the heirs/estate, with or without a sale of the home. The repayment obligation can't exceed the home's value or sales price.

