

Reverse Mortgages

Program Optimized with Additional Consumer Safeguards



Recent consumer safety protections offer borrowers even more peace of mind.

New HUD Rules Help Ensure the Financial Health of the Reverse Mortgage Program*

Now structured with the borrower in mind, the HECM (Home Equity Conversion Mortgage) loan is designed to help borrowers, age 62 and older, convert some of their home equity into cash — so they can live more comfortably and with greater financial independence. Built into this financial tool are important, recent safeguards for additional security:

- Tightened lending limit helps borrowers preserve revenue stream for better, long-term money management;
- The annual mortgage insurance premiums borrowers are required to pay over the course of their loans will drop from 1.25% to 0.5%.
- The initial MIP required will increase to 2% for all borrowers. However, this represents a reduction for borrowers who take out larger reverse mortgages and currently pay a 2.5 percent upfront premium.

Additional Previous Changes for Borrower Security:

- Updated non-borrowing spouse protections;
- Financial Assessment helps determine if borrowers are willing and able to meet financial obligations;
- LESA – Life expectancy set asides use HECM proceeds to pay taxes and insurance.

* Frank, David, "New Reverse Mortgage Rules Could Mean Less Cash," AARP, Money, Managing Debt; 8/30/17.

Existing protections you can always rely on

No Monthly Mortgage Payments

A reverse mortgage does not have to be repaid until you sell, move or no longer live in your home.*

No Surprise Costs

During the application process, you'll receive a clear and detailed breakdown of all fees and closing costs, including the total loan costs over the projected life of the loan.

Asset Protection

HECMs are non-recourse loans. After the loan is repaid, any remaining equity belongs to you or your heirs. This means that you can never owe more than the value of your home at the time you or your heirs sell your home to repay your reverse mortgage. With a HECM, the reverse mortgage debt may be satisfied by selling the home to pay the lesser of the mortgage balance or 95% of the current appraised value of the home.*

Independent Counseling

To ensure that you understand all aspects of a reverse mortgage, you're required to have a counseling session with an independent counselor who's approved by the U.S. Department of Housing and Urban Development (HUD). It usually takes about 60 to 90 minutes and can be done in-person or over the phone. (Some states require face-to-face counseling.)

Limitation On Fees

Origination fees are regulated by the U.S. Department of Housing and Urban Development (HUD), and cannot exceed HUD limits. In addition, origination fees and closing costs may be financed as part of the reverse mortgage, so out-of-pocket expenses can be minimal.

No Prepayment Penalty

Although a HECM loan is not due until the borrower permanently vacates the home, it can be paid off at any time, with no additional fees.

FHA-Insured

Insured by the Federal Housing Administration (FHA) to protect lenders and borrowers alike. This insurance guarantees you will receive your loan proceeds as agreed upon with the lender at the closing of the loan.

* The borrower must meet all loan obligations, including living in the property as the principal residence and paying property charges, including property taxes, fees, hazard insurance. The borrower must maintain the home. If the homeowner does not meet these loan obligations, then the loan will need to be repaid.

**To get all the facts about reverse mortgages,
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