



Reverse Made Easy FAQs

Q: What's a HECM

A: HECM stands for Home Equity Conversion Mortgage. It is a reverse mortgage insured by the Federal Housing Administration (FHA). This is a non-recourse loan available for borrower's age 62 or older. It allows the borrower to tap into the equity in their home and eliminate a monthly mortgage payment. FHA insures participating lenders against losses on the HECM loans and guarantees borrower access to the available HECM funds should a lender not pay.

Q: What's a LESA

A: LESA stands for Life Expectancy Set Aside. The borrower can elect to have a partially-funded LESA on a HECM, or in some cases a fully-funded LESA may be required if the underwriter determines that the borrower has not demonstrated the willingness or capacity to meet his/her property charge obligations. If a partially-funded or fully-funded LESA is elected/required, we will withhold a portion of the mortgage proceeds for the payment of property charges during the life of the borrower(s) (similar to an escrow account).

Q: What's a Non-Recourse loan?

A: A Non-Recourse Reverse loan is one where the FHA absorbs the remaining balance of the loan if the sale of the home doesn't cover the balance of the loan. This means that when your home is sold to repay the loan, neither you nor your heirs/children will be required to pay more than the sales price of the home.

Q: Can the borrower make a payment on their Reverse Mortgage if they want to?

A: Yes, the borrower can make a payment at any time, but they are not required to do so. If they choose to make payments, there are no pre-payment penalties.



Q: What are the benefits of a Reverse Mortgage?

A: There are many benefits including: Eliminate a monthly loan payment, Lower taxable income by reducing withdrawals from retirement plans, Provides more cash on hand to cover medical/living expenses and the Borrower can set up a line of credit that can be used for emergencies, home modifications or expenses.

Q: What's the difference between a proposal and an application?

A: A proposal package is an information package for your borrower- it includes information for the required counseling, a comparison page comparing the different types of reverse mortgages, estimate of closing costs, etc. so they can see what their options are. The application package has the official application and all the required loan documents that should be completed when the borrower has intent to proceed with the loan.

Q: What is a HUD-1 Settlement Statement? How does it differ from a Closing Disclosure?

A: A HUD-1 Settlement Statement is a settlement statement used at closing to itemize services and fees charged to the borrower. It's very similar to a closing disclosure, but for all Reverse Mortgages, a HUD-1 Settlement Statement is required instead of a CD. Since not many settlement agents are used to filling out a HUD-1 Settlement Statement, we require that you use one of our approved title companies to assure a smooth closing process.

Q: Reverse Mortgages and TRID

A: The TILA-RESPA Integrated Disclosure rule does not apply to reverse mortgages. Instead of providing your borrower with a loan estimate and closing disclosure, Reverse mortgages use a Good Faith Estimate (GFE) and HUD-1 Settlement Statement in lieu of these documents.



Q: What income documents are required?

A: As applicable: Social Security Award Letter, Pension Benefit Letter, Written Verification of Employment, 30 days consecutive paystubs, 2 years of W-2s, Federal Tax Returns, YTD P&L, Bank Statements. Note: Verbal Re-verification of employment needed within 10 days prior to funding.

Q: What happens when the loan ends? (Typically when the borrower passes away)

A: Options for the Heirs:

Option 1: Repay the loan and keep the home.

Option 2: Sell the home, repay the balance and keep any remaining equity.

Option 3: If the loan balance exceeds the home value, you can Deed the Home to the Lender.

No re-payment beyond the home's value is required. Heirs can also buy the home for 95% of the appraised value.

Q: What is the Minimum required FICO score?

A: A HECM does not have a minimum required FICO score. We base our decision on the credit history and the number of late payments, taking into account extenuating circumstances.

Q: What is a Non-Borrowing Spouse (NBS)?

A: A Non-Borrowing Spouse is the spouse of the borrower at the time of the HECM closing, who is NOT a mortgagor that lives in the subject property. The NBS is allowed to remain on title, but may not be a borrower on the loan.

A spouse can be a non-borrowing spouse when they are under the age of 62. In the event the borrower passes away, as long as the spouse stays current on property taxes, insurance and home maintenance, in addition to living in the house as their primary residence and staying married to the borrower through the end of their lifetime, the NBS may remain in the home.

Note: NBS is not allowed in the state of Texas.



Q: Why might FHA require a 2nd Appraisal?

A: All case numbers assigned after 10/1/2018 are subject to FHA's Collateral Risk Assessment per Mortgagee Letter 2018-06. Once all appraisal conditions are cleared on the 1st appraisal, the pipeline coordinator will log the appraisal with FHA to determine if FHA requires a 2nd appraisal to be done. If a 2nd appraisal is required, we will use the lower of the two values.

Q: What figure is used to determine title insurance (MCA, PL, UPB)?

A: The MCA (Max Claim Amount) is used to determine the policy coverage. The mortgage amount listed on the title policy would be 1.5 times the MCA.