



Your Reverse Mortgage Guide

Reaping The Rewards Of A Lifetime Investment In Homeownership

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Make The Most Of Retirement!

Homeownership is likely the most important wealth-building move you made in life. When you retire and your income flow changes, the home equity you've built over the years can serve as a resource to provide financial security and peace of mind. If you are a retiree looking for a way to manage your expenses, preserve your legacy and promote your peace of mind, a reverse mortgage may be just the solution for you.

Program Overview

What Is A Reverse Mortgage?

A reverse mortgage allows you to borrow against the equity you've established in your home. Instead of making monthly payments, you can choose to *receive* them. That's the "reverse" part of a reverse mortgage.

To be eligible, you must be age 62 or older and own your home free and clear or have a remaining mortgage balance that can be paid off by the reverse mortgage.

You'll want to consult a tax advisor to confirm this, but in most cases a reverse mortgage gives you access to *tax-free* funds, though it may impact your eligibility for some benefits.

Why Get A Reverse Mortgage?

There are no restrictions on how you may use proceeds received through a reverse mortgage. You can direct the funds toward a variety of purposes, including:

- Eliminating existing mortgage
- Supplementing retirement income
- Remodeling or repairing your home
- Paying property taxes
- Covering healthcare expenses
- Planning for long-term care needs

You can even use your reverse mortgage funds to purchase a second or vacation home.

How Does It Differ From A Traditional Home Loan?

With a traditional mortgage or home equity loan, homeowners qualify based on their credit history and debt-to-income ratio. They borrow money, which requires making monthly payments. *A reverse mortgage pays you, and is available regardless of your current income, credit history or debt-to-income ratio.*

Three Essential Facts

Making an educated decision begins with addressing common misconceptions that keep many senior homeowners from looking into the advantages of a reverse mortgage. Contrary to what you may have heard — as long as all property tax, insurance and maintenance requirements are met:

1. You cannot owe more than the value of the home.
2. You retain title to the property.
3. You receive payments instead of making them. Please ask your reverse mortgage consultant for details about when repayment may be due.

As long as all program requirements are met, if an individual borrower is hospitalized, in a medical facility up to a year, or perhaps wants to spend as much as six months in Florida, he/she cannot be forced to move. If one reverse mortgage co-borrower moves to a nursing home or passes away, the other(s) cannot be forced to move.

Loan Specifics

Eligibility Requirements

Reverse mortgage eligibility requirements are quite simple. There are no income, employment or credit score qualifying restrictions.

- All homeowners must be age 62 or older and occupy the property as their principal residence.
- The home must be owned free and clear or have a remaining mortgage balance that can be paid off by the reverse mortgage.
- The property must be a single-family or a one-to-four unit, owner-occupied dwelling.
- Townhomes, detached homes, condominium units, planned unit developments (PUDs) and some manufactured homes are eligible.
- The home must meet Department of Housing and Urban Development (HUD) minimum property standards. In some cases, home repairs can be made after a reverse mortgage closing.

How Much Can Be Borrowed?

In most cases, maximum reverse mortgage loan amounts are based on the following factors:

- The age of the youngest homeowner
- The appraised value of the home
- The current interest rate
- The locally established lending limit

In general, the older you are, the more your home is worth, and the lower the interest rate, the more you'll be able to borrow. Ask your reverse mortgage consultant for further details.

Payment Options

Reverse mortgage customers have differing needs. Some would rather receive their entire loan amount up front, while others prefer a steady monthly stream of funds to supplement their other income. Regardless of how you choose to receive your proceeds, you can adjust your plan as often as you wish to accommodate changing needs.

You have several options to receive your reverse mortgage proceeds, they are available to you in the following distribution options:

- **Lump Sum** — A specific amount is made immediately available (often used to pay off an existing mortgage).
- **Term** — Funds are released in fixed monthly amounts for a set period requested by the customer.
- **Tenure** — Loan proceeds are distributed in equal monthly allotments for as long as at least one homeowner continues to occupy the home as a principal residence.
- **Line Of Credit** — Funds remain available for the customer to draw on as needed.
- **Combination** — Customers receive any combination of lump sum, monthly, or line of credit distributions.

Interest Rate

Reverse mortgages are variable-rate loans. In most cases, you may choose monthly or annual adjustments. Interest rate adjustments have no effect on the number of loan advances you can receive, but they do cause your loan balance to grow at a faster or slower pace.

Loan Repayment

You do not need to repay the loan as long as you or one of the borrowers continues to remain in the home as your principal residence, keep the taxes and insurance current, and maintain the property to FHA standards. The balance due can come from home sale proceeds, or from other resources, such as savings, insurance or possibly applying for a new mortgage. There is no requirement that the home be sold, only that the loan be repaid. Please ask your reverse mortgage consultant for more details about when repayment may be due.

Effect On Other Benefits

Reverse mortgage loan proceeds are not considered income and will not affect Social Security or Medicare benefits. However, receiving monthly reverse mortgage advances could affect your eligibility for some public assistance programs that are based on need. Consult a local attorney to determine how — or if — your reverse mortgage distributions might apply to your specific situation.

The Reverse Mortgage Process

Education

The process of getting a reverse mortgage begins with the phase you are in now. You are taking the time to get information and learn more about this kind of home financing to determine if it is right for you.

Counseling

Reverse mortgage applicants are required to participate in a consumer education session with a HUD-approved counselor. Family members and other advisors are welcome to accompany you. The counselor will explain the legal and financial obligations of a reverse mortgage and discuss other financing alternatives to help ensure you make the right decision.

Application

Your reverse mortgage consultant will help you complete and sign your reverse mortgage loan application. Shortly after the application is submitted, as required by federal Truth-in-Lending Act, you will receive a disclosure that outlines your total estimated loan cost.

Processing

Appraisal

We will arrange for a professional appraiser to contact you to schedule an appraisal that will determine the value of your home. The appraisal will be used to calculate the amount you can receive from your reverse mortgage. Once your appraisal is completed, your appraisal report will be reviewed to ensure it meets minimum guidelines and may be approved, suspended, or approved subject to repairs. You will be provided with a copy of your appraisal at closing.

Homeowners Insurance

We require that your homeowner's policy provides for loss/settlement on a replacement cost basis. In the event that replacement coverage is not available, your home must be insured at the maximum dwelling coverage limit allowable for your property. We will verify your coverage with your insurance agent. At that time, your homeowner's insurance will also be updated, with your authorization, to reflect us as the first mortgagee on your hazard policy or condo certificate of insurance.

Title Insurance

There are two types of title insurance. One protects the lender and one protects the borrower. Together, the coverage protects you and your lender from claims against ownership of the property, which might be made by:

- Undisclosed spouses
- Heirs of previous owners
- Creditors holding liens against previous owners
- Or other parties

You will be required to purchase a title policy that covers your reverse mortgage lender's interest in the property. The decision to purchase a policy that protects your interest is up to you.

Underwriting

Once your appraisal is approved, a value has been determined, and the title report has been cleared, an underwriter will review your loan and supporting documents to ensure that approval conditions have been met and then issue the clearance to close. If additional approval items are required, you will be notified by your reverse mortgage consultant or loan document specialist. If all approval conditions have been met, your loan is now ready to close.

Closing

Processing and underwriting your reverse mortgage generally takes approximately six to eight weeks before you are ready to close. Your closing must be coordinated with many parties, which may include: you, your lender, your attorney, and the title company representative.

Before The Closing — Your reverse mortgage consultant will help you go through a loan closing checklist to make sure the following items are in order:

- ***Closing costs and escrow amounts*** — Your Good Faith Estimate may not include all closing costs such as interim interest or property taxes. You will need to finalize your actual costs with your attorney or closing agent to avoid last-minute surprises.
- ***Acceptable method of payment*** — In most cases closing costs may be financed as part of the reverse mortgage.
- ***Any additional items needed*** — Some counties require photo ID, evidence of hazard or flood insurance or other miscellaneous documents. This is the time to gather all the paperwork that may be required at closing.

At Closing Time — Reverse mortgage closings typically take place in the home. The loan documents, including the mortgage or deed of trust, are forwarded to you to read and sign as instructed, and pay any applicable closing costs. Any funds disbursements due to you will be forwarded from the processing center shortly thereafter.

After The Closing — As a reverse mortgage customer, you have responsibilities similar to those associated with a traditional mortgage, such as:

- Paying property taxes
- Keeping insurance coverage up-to-date
- Maintaining the home

Questions And Answers

Q. *Am I qualified for a reverse mortgage if I have an existing loan on my home?*

A. Yes, but the existing loan must be paid off prior to or at your reverse mortgage closing. Quite often a reverse mortgage is used to pay off an existing loan.

Q. *My property is held in a Living Trust. Do I qualify?*

A. Yes, as long as you are the primary trustee and are qualified by age.

Q. *My children and I own the property in joint tenancy to avoid probate. Do we qualify?*

A. Yes, if the children are age 62 and older and live in the property.

Q. *Does the IRS consider monthly reverse mortgage advances as income?*

A. No. The reverse mortgage advances are actually loan distributions and are not considered income. Consult your tax advisor to confirm your advances would be tax-free.

Q. *Are manufactured homes eligible?*

A. Yes. The home must have been built after June 15, 1976, placed on an FHA-approved permanent foundation for a minimum of one year, and meet minimum HUD property standards.

Q. *My spouse is permanently in a nursing home. Can we participate?*

A. Yes. As long as all other program requirements are met, only one owner is required to occupy the property as a principal residence.

Q. *Are there restrictions on how I can use my reverse mortgage proceeds?*

A. Absolutely not! It's your money to use as you see fit.

Q. *Can the lender take my home away if I outlive my loan term?*

A. No! Moreover, you do not need to repay the loan as long as you or one of the borrowers continues to live in the house, keep the taxes and insurance current and maintain the property to FHA standards.

Q. *Will I still have an estate that I can leave to my heirs?*

A. Any remaining home equity belongs to you or your heirs. None of your other assets will be affected by the reverse mortgage. Please ask your reverse mortgage consultant for more details about repayment.

Your heirs will be able to choose whether to keep or sell the home. If they decide to keep it, they must pay the balance due on the reverse mortgage. Otherwise, they may sell the home and use the proceeds to pay off the remaining mortgage. They get to keep any excess proceeds from the sale of the house.

Mortgage Terminology

Appraisal – A report written by a qualified professional that states an opinion on the value of a property based on its characteristics and the selling prices of similar properties or comparable properties in the area.

Appreciation – An increase in the value of a house due to changes in market conditions or other causes.

Clear Title – Ownership of the property that is free of liens and legal questions as to ownership of the property.

Closing – The final step after a lender approves an application. The occasion when a borrower signs loan documents, including the mortgage or deed of trust, and when closing costs are paid. Also referred to as the “settlement.”

Closing Agent – Usually an attorney or title agency representative who oversees the closing and witnesses the signing of the closing documents.

Closing Costs – The costs to obtain a mortgage loan. Closing costs cover any services and charges — such as title search and insurance, appraisals, surveys, credit histories, required inspections, taxes, and recording fees — that are necessary to complete the transaction.

Counseling Session – All homeowners are required to attend an independent consumer education session with a HUD-approved counseling agency. This session can be provided face-to-face or via telephone. The purpose of the session is to explain the financial implications of obtaining a reverse mortgage and the alternatives available to you.

Credit Report – A report issued by an independent agency that contains certain information concerning a mortgage applicant’s credit history and current credit standing.

Deed of Trust – The legal document conveying title to a property.

Equity – Your ownership interest, or that portion of the value of the property that exceeds the current amount of your home loan. For example, if the property is worth \$100,000 and the loan is for \$75,000, then you have \$25,000, or 25% equity in your home.

Good Faith Estimate – A document that tells mortgage borrowers the approximate costs they will pay at or before closing based on common practices in the locality.

Home Equity Conversion Mortgage (HECM) – A type of FHA-insured reverse mortgage.

Home Keeper[®] Mortgage – A type of Fannie Mae reverse mortgage.

Homeowner’s Insurance (also called Hazard Insurance) – A real estate insurance policy required of the buyer protecting the property against loss caused by fire, some natural causes, or vandalism. May also include added coverage such as

personal liability and theft away from the home.

HUD-1 Settlement Statement – A standard form used to disclose costs at closing.

Interest Rate – The interest that is paid to the lender for the use of the money, usually expressed as an annual percentage rate.

Lien – A legal claim against a property as security for a payment of an obligation.

Loan Balance – The outstanding balance of a reverse mortgage loan. Equal to principal plus financed fees plus all accrued interest.

Loan Conditions – These are terms under which the lender agrees to make the loan. They include the interest rate, length of loan agreement, and any requirements the customer must meet prior to closing.

Loan Proceeds – Payments to a customer through a reverse mortgage.

Loan Settlement – The conclusion of the mortgage transaction. This includes the delivery of a deed, the signing of notes, and the disbursement of funds necessary to the mortgage transaction.

Loan-to-Value (LTV) – The ratio of the amount borrowed to the appraised value or sales price of real property expressed as a percentage.

Margin – The number of percentage points added to the index to calculate the interest rate for an variable-rate mortgage at each adjustment period.

Mortgage – A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Insurance Premium (MIP) – The fee paid by a borrower to FHA or a private insurer for mortgage insurance that protects the lender against the risk that the loan balance might at some time exceed the value of the home.

Mortgage Specialist – The employee responsible for collecting the completed application — and all supporting documents — before the entire loan packet is submitted to underwriting. Also known as a processor.

Note – The agreement that states the home mortgage amount to be borrowed and the terms and conditions of the loan. It also includes a completed description of how the loan should be repaid and the timeframe for repayment.

Origination Fee – The amount collected by the lender for making a loan. It is generally equal to 2% of the Maximum Claim Amount (the lesser of the appraised home value or maximum FHA lending limit for your area) or \$2,000, whichever is greater. It can be financed into the loan to cover the lender's costs in preparing the initial loan application and the processing of the loan.

Principal – The amount of a loan, or the remaining balance of a loan, excluding interest.

Principal Residence – The property that is considered the primary residence of the borrower.

Processing – The completion of a mortgage loan application and supporting documents.

Rate Cap – The limit of how much the interest rate may change on a variable-rate mortgage at each adjustment and over the life of the loan.

Refinance – The process of paying off one loan with the proceeds from a new loan secured by the same property.

Reverse Mortgage Consultant – The trained and certified mortgage representative a prospective customer consults with about obtaining a reverse mortgage loan. Also known as a loan officer.

Servicing Fee – The fee paid by the borrower to cover record keeping and other administrative costs of processing mortgage payments. This flat fee will be added to the outstanding loan balance each month.

Title – A legal document establishing the right of ownership.

Title Search – A check of title records to ensure that a person is the legal owner of a property and that there are no liens or other claims outstanding on the property.

Truth-in-Lending Statement – Required by federal regulations, this statement tells borrowers the costs of financing their loan expressed as the annual percentage rate (APR).

Underwriting – The process of a lender reviewing the application, documentation, and property prior to rendering a loan decision.

Variable-Rate Mortgage – A loan with an interest rate that changes with market conditions on pre-determined dates.

For More Information On RWF Mortgage, LLC

Contact your local Home Mortgage Consultant

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