

Steps in the Reverse Mortgage Lending Process

A) APPLICATION

- 1) **When you apply**, you will be asked to select a payment plan: a creditline, monthly advances (term or tenure), or a combination of a creditline and monthly advances. You may also be asked to select a monthly or annually adjustable interest rate, and to decide if you want your property taxes and homeowner insurance paid directly by advances from your loan. (Many lenders do not ask you to make all of these decisions until later in the process.)
- 2) **You will need to provide information** required by the lender, including a photo ID, verification of your Social Security number, a copy of the deed to your home, information on any existing debt (liens) on your home, and your counseling certificate. You will also be asked to pay a loan application fee, which covers the cost of a home appraisal and a minimal credit check.

B) PROCESSING

- 1) **Your lender orders** an appraisal, title search and insurance, lien payoffs, and any other services needed to complete the loan. An appraiser comes to your home to assess its value and physical condition. If the appraiser finds structural defects that require repair, to be eligible for the loan, you must hire a contractor to make the repairs.
- 2) **Your lender submits** all required information to the lender's underwriting department, which determines if everything needed to close the loan is correctly completed.

C) CLOSING

- 1) When your loan is approved by the underwriting department, **a date for closing the loan is set**, and the final loan documents are prepared. A closing is a meeting at which you sign all the loan documents. It is generally handled by the title company or the lender. Some states require you to retain an attorney to be present at closing.
- 2) **After closing, you have 3 business days in which to cancel the loan.** When this three-day "recission" period is over, loan funds can be paid to you, and can be used to pay off any existing debt on your home. A new lien is placed on your home to secure the reverse mortgage. Your loan is then sent to the "servicing" department, or to another company that specializes in servicing reverse mortgages.

D) AFTER CLOSING

- 1) Unless you have arranged to have your taxes and homeowner insurance paid directly from your loan proceeds, **you are still responsible** for making these payments. If you do not, the lender can use loan proceeds to make the payments or – if none remain – the lender can make the entire loan due and payable.
- 2) The loan "servicer" sends you your loan advances and periodic loan statements. **No repayment is due until** the death or permanent move from the home by the last living borrower, the sale of the home, or any thing else that results in the home no longer being the principal residence of at least one borrower. The repayment obligation cannot be greater than the home's value at the time the loan is repaid.