

CONSUMER SAFEGUARDS

In 2013, everything changed in the reverse mortgage industry. With the Reverse Mortgage Stabilization Act, the Feds implemented strict guidelines to protect borrowers. The act was created to provide safeguards for consumers, lenders, and the FHA which insures the loans.

Today's reverse mortgage programs contain numerous safety features to ensure that seniors retain their rights as homeowners, and to reduce any risk to themselves, their homes, or their families.

At Reverse Mortgage Group, we go one step further by creating our own safeguards, while providing education and open communication. For example, below we list the nine most significant consumer safeguards.

#1 - Independent Counseling

Before a reverse mortgage application can be processed, the prospective borrower must first meet with an independent third-party counselor. The HUD-approved counselors have no affiliation with lenders. Their job is to review the transaction, answer questions, make sure the borrower understands the loan, and also suggest alternative options.

#2 - Limitation on Fees

Origination fees are capped and may be financed as part of the reverse mortgage. This means a senior incurs very little out-of-pocket expense to get a reverse mortgage. Now, even though HUD allows, and most lenders charge, a \$6,000 origination fee, we do not. We believe this is excessive and refuse to charge this fee just because we can and most other lenders do.

#3 - Advance Disclosure

Under the FHA HECM program, the Total Annual Loan Cost, or "TALC" disclosure, is required by the Federal Reserve Board. This document displays the total transaction costs over the projected life of the loan. And we provide this document to our prospective borrowers early in the process so that our clients are informed and aware of the costs incurred in obtaining a reverse mortgage.

#4 - No Change in Title

The borrower retains title to the home, just as with a regular forward mortgage. In many cases, it's even possible to close the loan in the name of a trust, if the title is held in trust.

#5 - No Maturity Date

A reverse Mortgage is designed to last for the homeowner's lifetime. In a regular forward loan, a rate is fixed for a particular term, like 20 or 30 years. The fixed rate on a standard HECM loan has no term other than the lifetime of the borrower. Because there are no required payments, and there is a lifetime right to occupy the home, borrowers are more protected against unforeseen or unanticipated future circumstances, rendering reverse mortgages vastly safer than other loan options.

#6 - No Prepayment Penalty

Reverse mortgage loans are not typically due and payable until the senior permanently moves out of the home. It can however, be paid off at any point with no additional fees or costs.

#7 - No Penalty for Canceling the Loan

After the borrower signs their loan documents, they have up to three days to cancel the transaction. This so-called "right of rescission," allows the borrower to "back out" of the loan for any reason whatsoever with no penalty. With the extent of education and communication we provide, this is extremely rare with Reverse Mortgage Group, but the safeguard is in place.

#8 - Asset Protection

In no event does the repayment amount exceed the value of the home, as long as the property is sold to satisfy the reverse mortgage balance. If the heirs decide to keep the home, then the pay-off amount is simply the balance of the loan. All remaining equity in the house always belongs to the borrower and their heirs.

#9 - The Stabilization Act of 2013

Prior to the Stabilization Act of 2013, if the borrower who signed on the loan died or left the house, the surviving spouse was obligated to repay the outstanding loan in order to remain in the home. This is no longer the case. And in fact, Reverse Mortgage Group allows a "non-borrowing" spouse to be included on the loan. This allows the surviving spouse to defer "due and payable" status and establish legal ownership to remain in the property.

It's safe. It's easy. And it could be the perfect solution. Call one of our Reverse Mortgage Experts to learn more.

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