

These are Important terms for you to know about when considering a Reverse Mortgage Loan:

Deed of Trust: A legal document that pledges a property to the lender as security for payment of a debt. Also known as a Mortgage.

Expected average interest rate: The interest rate used to determine the amount of money available to the HECM borrower at loan closing - 10 year Treasury Bill plus your margin. Not the same as the applied interest rate (the interest rate charged to the borrowers loan balance).

Expense plan: A statement or budget of probable income and expenses usually projected for the coming year.

Financial statement: A written statement of financial status (or net worth) that lists and compares assets and liabilities.

Flood insurance: Insurance required for properties in federally-designated flood areas.

Foreclosure: The process by which a lender sells a mortgaged property (in order to be repaid) if the mortgage loan is in default or the borrower fails to comply with the terms and conditions of the mortgage note.

Funding date: The date on which the originating lender first disburses funds to the reverse mortgage borrower.

Gross income: Total income before deductions are taken.

Hazard insurance: Insurance to protect the homeowner and the lender against physical damage to a property from fire, wind, vandalism, or other hazards.

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

Home equity loan (or line of credit): A loan that allows a homeowner to borrow against home equity and pay back the funds in monthly installments; generally, the homeowner must meet income qualifications and the lender can foreclose on the home if the borrower fails to make monthly payments.

Homeowners insurance: An insurance policy that combines liability coverage and hazard insurance.

Initial interest rate: See Applied interest rate.

Interest: A fee charged for borrowing money.

Liabilities: Amounts owed.

Lien: A legal claim against a property.

LIBOR: The index used on all Independence PlanSM loans. The London Interbank Offered Rate (LIBOR) used is based on the average of the interbank offered rates for six month U.S. dollar denominated deposits in the London Market, as published in the Wall Street Journal.

Liquid assets: Assets that can be converted to cash quickly and easily without substantial loss.

Loan balance: The outstanding balance of a reverse mortgage loan; an amount equal to principal plus financed fees plus all accrued interest.

Loan proceeds: Payments to a borrower through a reverse mortgage.

Loan termination: The point at which a reverse mortgage loan is satisfied, either because of a prepayment in full or because a loan has become due and payable, and the borrower has paid the loan balance or the value of the property, whichever is less.

Maximum claim amount: The lesser of a homes appraised value or the maximum loan amount.

Mortgage: A legal document that pledges a property to the lender as security for payment of a debt. Also known as a Deed of Trust.

Mortgage insurance premium: The fee paid by a HECM borrower to FHA for mortgage insurance.

Mortgage note: A legal document obligating a borrower to repay a loan at a stated interest rate; the agreement is secured by a mortgage. Also known as a Promissory Note.

Net income: Total income after deductions are taken.

Net principal limit: The total amount of money available to the borrower at any time over the life of the loan. An amount equal to the gross principal limit less any payments to the borrower and any financed costs.

Net worth: Assets minus liabilities.

Origination fee: A fee which may be charged to the borrower to obtain a mortgage loan.

Payment plan: The manner in which loan proceeds are paid out to the borrower.

Principal: The actual amount of loan proceeds paid to a borrower, or paid on behalf of a borrower, exclusive of interest charges.

Principal limit: The total amount of money available to a borrower at loan origination prior to closing costs, interest and set-asides.

Promissory Note: A legal document obligating a borrower to repay a loan at a stated interest rate; the agreement is secured by a mortgage. Also known as a Mortgage Note.

Property inspection: An examination of the exterior and interior of a property to determine its condition.

Property tax deferral: A loan that defers payment of property taxes for as long as the borrower lives in the home.

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

Repair rider: A clause in a reverse mortgage loan agreement that requires a homeowner to make home repairs or improvements as a condition of closing the loan.

Required repairs: Any repairs identified in the property inspection relating to structural problems, needed roof repair or other property damage that could decrease the value of the property if left untreated.

Reverse mortgage: A mortgage that pays a homeowner loan proceeds drawn from accumulated home equity; reverse mortgages permit the borrower to retain homeownership, and generally do not require repayment as long as the borrower remains in the home.

Rising debt: In a reverse mortgage, debt increases over time as loan proceeds are paid out and as interest accrues.

Sale leaseback: A type of home sale plan in which the seller of a home immediately rents it back on a long-term or lifetime lease; the seller receives

monthly payments from the sale of the home and pays monthly rent at a market rate.

Servicing fee: This is a small fee reserved from the loan proceeds to cover record-keeping, payment processing, and other administrative associated with servicing the loan. It is set-aside from the proceeds which are available to you; however, is paid out monthly.

Set aside: Funds for specified uses that are netted out when determining the borrowers principal limit.

Settlement: See Closing.

Survey: A measurement of the legal boundaries of a parcel of land, its area and sometimes its topography.

Title: A legal document establishing the right of ownership to a piece of land.

Title search: A check of all recorded documents 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.

*Adapted from Fannie Mae

Once you understand what a reverse mortgage is and how it works, please proceed to our program options section.