Reverse Mortgage Comparison
Explanation of Terms

PREMIER REVERSE MORTGAGE
experience, integrity, personal service

Rates and Fees

Margin – Adjustable interest rates are comprised of a lender margin and the index the rate is tied to. You add the two together to get the rate.

Initial Interest Rate - This is the annual rate at which the money you borrow will accrue interest moving forward (compounded monthly). The fixed rate will be fixed for the life of your loan. The adjustable rate will adjust monthly according to the one year CMT index plus the lender margin. We cannot lock the initial interest rate, so it floats to closing.

Expected Interest Rate - Keep in mind there is a different interest rate that affects the loan amount, and it is called the expected rate. The expected rate is essentially where we expect your interest rate to average over the life of your loan, based on historical data. As the expected rate rises, your loan amount falls, and vice versa. It is tied to 10-year treasury rates and changes every Tuesday until you apply for the loan (so your proposal is only good until the next expected rate change). Once you apply, we lock your expected rate for four months, locking in your loan-to-value ratio. There is no expected rate lock for fixed rate loans.

Annual Mortgage Insurance Rate - The money you borrow will also accrue ongoing FHA mortgage insurance at an annual rate of 0.5%. The insurance is compounded monthly, just like the interest. The insurance rate of 0.5% is set for the life of your loan, even if it gets changed (higher or lower) for new loans.

Cap on Interest Rate – The lifetime cap on the interest rate is 5% above the initial interest rate, so this amount is the highest the rate can go. It floats to closing with the initial interest rate, and the cap is set based on the rate at closing (five points above it).

Initial Line of Credit Growth – Should you have funds remaining in a line of credit, they will grow at the listed annual rate (combination of the initial interest rate and MIP rate), compounded monthly. The line of credit growth rate changes each month with the interest rate.

Calculation

Home Value - This is the estimated value of your home at the time your proposal was prepared. The loan amount will change once the home is appraised by a local FHA appraiser. The ratio of loan amount to home value will stay the same on adjustable rate HECMs, once an application is signed.

Maximum Claim Amount - There is a national loan limit that FHA/HUD sets each year. It is currently $1,089,300, so any home that appraises for upwards of $1,089,300 is treated as if it is worth $1,089,300. If your home is worth less than $1,089,300, you are not affected by this limit.

Principal Limit - The initial loan amount is set by a HUD formula using your home's value, the youngest spouse's birth date, and the expected interest rate. The loan amount is only a percentage of your home's value, because there has to be room for interest to accrue based on your life expectancy.

Initial Mortgage Insurance Premium - The upfront FHA insurance premium is a charge by HUD/FHA to insure the loan, and is 2% of the home's value or max claim amount, whichever is lower. It's charged on all HECMs and cannot be avoided.

Origination Fee - This could be a lender or broker charge depending on the type of loan. On the fixed rate loans, it is generally a flat fee. On the variable rate loans, it is based on the home value, so it is just an estimation until the home is appraised.

Other Costs - The other closing costs vary greatly by state. These fees are comprised of small lender fees (credit report, flood cert, document preparation), title or attorney's fees, and state charges. If you would like to see a breakdown of these fees, please see the Estimate of Closing Costs Worksheet.

Credits – Any dollar amount listed here is a credit towards your closing costs, reducing the financed charge.

Remaining Principal Limit – The net loan amount, after closing costs are subtracted.

Liens and Mortgages - If you currently owe any money against your home, on a mortgage, line of credit, or judgments/liens, we have to pay them off at the closing of the reverse mortgage.

Repair Set Aside – a repair set-aside is allowed to repair a home if the appraiser cites any issues in the appraisal report. If the issue is considered a safety/health issue or is considered major (like related to water penetration), it cannot be completed after closing. Repair set-asides are based on 150% of a contractor's estimate or 200% of an appraiser's estimate.

Property Charge Set-Aside – also known as a Life Expectancy Set-Aside (LESA), this is either not required, fully funded, borrower selected, or partially funded. These are loan funds segregated for the purpose of paying future property taxes and insurance.

First Year Property Charge Set-Aside – the amount set-aside for the first year of property taxes and insurance.

Additional Property Charge Set-Aside – the amount set-aside for the remainder of the youngest spouse's life expectancy.

Total Property Charge Set-Aside – the sum of the first year and additional property charge set-aside. Once the funds run out, the borrower is responsible for paying the property taxes and insurance from that point forward.

Total Mandatory Obligations – Mandatory obligations are the sum of the closing costs, liens and mortgages, and repair set-aside, if applicable.

% of Principal Limit – The mandatory obligations as a percentage of the principal limit (aka gross loan amount).

Initial Disbursement Limit – HUD/FHA restricts how much money can be taken at closing and how much is available after twelve months from the funding of the loan. The initial disbursement limit is the combination of mandatory obligations (items being paid off) and the cash available at closing.

% of Principal Limit – The initial disbursement limit as a percentage of the principal limit (aka gross loan amount).

Available Principal Limit – The available principal limit is the pool of funds available to you. Some of that could be restricted for twelve months depending on the situation. It's the remaining principal limit minus the liens and mortgages, repair set-aside, and total property charge set-aside.

Available Funds and Requested Payments

Max Available Cash at Closing – This is just as it reads, the maximum cash that can be taken at the funding of the loan. With adjustable rate loans, it does not have to be taken at closing and with fixed rate loans it does.

Cash Request – The cash request is how much of the above cash we are showing you being paid upon the funding of the loan.

Total Line of Credit – There is no line of credit with fixed rate loans. With adjustable, this is the available principal limit minus the cash request. It's inclusive of funds available immediately, and those restricted for twelve months. It has a growth rate associated with it, that is mentioned in the rates and fees section.

Line of Credit Available 1st Year – The portion of the line of credit available for draws upon the funding of the loan. Keep in mind it takes about a month after funding for the line of credit to get established.

Additional Line of Credit Available After 1st Year – The portion of the line of credit that is restricted for twelve months. After twelve months it is completely unlocked and available to be drawn in full.

Monthly Payment 1st Year – When you request a combination of cash at closing (maximum available) and a term or tenure payment plan, the monthly payment 1st year will be zero. The payments wouldn't start until twelve months after the funding of the loan.

Monthly Payment Request – This is the amount that will be paid out monthly via a term or tenure payment plan. Term is a fixed number of months whereas tenure is for life in the home (life of any borrowers).

Initial Loan Balance – The amount of money disbursed upon the funding of the loan. This is the combination of financed closing costs, liens and mortgages, and cash requested at closing. It is the portion of the loan that will begin accruing interest and mortgage insurance from the funding date forward.

Unavailable Principal Limit – Only applies to fixed rate HECMs where a portion of the loan amount is not available and left behind. Meaning you would get a reduced loan amount by choosing fixed. The amount shown is how much it is reduced.

Amortization Schedule Disclaimer

1. The age listed is the youngest borrower's age rounded up, if the next birthday is within six months.
2. The rate shown in the table is the expected average interest rate on the adjustable HECM vs. the initial interest rate.
3. 4% appreciation is used for the home value change each year, which may be too high or too low depending on where you live. HUD/FHA recommends we use the 4%.
4. We cannot project out the draws from the line of credit on this standard amortization schedule, but we can on a custom one we have created if needed. That's the cash payment column you see listed.

Estimate of Closing Costs Worksheet Disclaimer

1. The POC Amount column stands for Paid Outside of Closing and are the charges paid out of pocket to establish the loan. The Estimated Amount column are the financed charges. The Total Estimated Settlement Costs are the two amounts combined.
2. If you are getting a credit towards closing costs, it is not listed on this page as this is showing gross closing costs and not net.