

# REVERSE MORTGAGE TERMS AND CALCULATIONS

REVERSE MORTGAGE TERMS	
<b>HECM</b>	Home Equity Conversion Mortgage
<b>Loan Products</b>	Fixed, Monthly CMT, Annual CMT
<b>HECM</b>	Traditional HECM, HECM TO HECM, HECM For Purchase
<b>1009</b>	Application
<b>Maximum Claim</b>	Appraised Value, Purchase Price or Lending Limit, whichever is less.
<b>Lending Limit</b>	On or after 01/02/2022: <ul style="list-style-type: none"> <li>Maximum \$970,800 (regardless of County or property units)</li> </ul>
<b>Principal Limit (PL) aka Max Loan Amount</b>	Maximum loan amount the Borrower qualifies for. Based upon the expected rate and the age of the youngest Borrower or Eligible Non-Borrowing Spouse. <b>Example: Age Factor x Home Value (Max Claim) = Principal Limit (PL)</b>
<b>Age Factor Principal Limit Factor Table (PLF)</b>	Each row represents one age and provides a series of PLF's for interest rate within a given percentage point range in .125 increments. <b>Example: Youngest Borrower or Eligible Non-Borrowing Spouse's age and Expected Rate = Age Factor</b>
<b>Expected Rate</b>	Margin plus the CMT at time of Origination, per rate sheet.
<b>Initial and Annual Mortgage Insurance</b>	Initial Mortgage Insurance (IMIP) is 2% x Home Value (maximum claim) for all loans. Annual Mortgage Insurance is .50% of the loan balance for all loans. (.50% / 12 = .041 monthly)
<b>Mandatory Obligations</b>	Total of Origination Fee, IMIP, closing costs, liens and mortgage. 3 <sup>rd</sup> party HECM Counseling and Appraisal Fee are paid up front.
<b>Initial Disbursement Limit</b>	At closing or within first 12 months after closing: Up to 60% of Principal Limit <b>OR</b> Mandatory Obligations + 10% of Principal Limit (not to exceed Principal Limit) Remaining funds available after 12 months from closing have passed.
<b>Initial Loan Balance (UPB)</b>	Mandatory Obligations <b>plus</b> Cash at Closing <b>minus</b> Broker Credit. Broker Credit allowed on ARM products only, not to exceed actual closing costs.
<b>Origination Fee</b>	Charging an Origination Fee is optional. Brokers may charge up to 2% of the appraised value for the first \$200,000 and 1% thereafter. Fee is capped at \$6,000.00 <b>Example: \$315,000 value</b> <b>\$200,000 x 2% = \$4,000</b> <b>\$115,000 x 1% = \$1,150</b> <b>Max Origination Fee = \$5,150</b>



# REVERSE MORTGAGE TERMS AND CALCULATIONS

## REVERSE MORTGAGE TERMS

### Residual Income

#### Borrower's Income minus:

Monthly Property Taxes  
Monthly Insurance (HOI and Flood) amounts  
Monthly HOA (if applicable)  
Monthly Revolving and Installment Debt payments  
Maintenance Fee (.14 per square foot of the home)

**Total is the amount of Residual Income.**

Check the Residual Income Table using the correct Family Size and Region.  
If residual income is less than the chart minimum, a compensating factor may be used.  
Speak with a Reverse Mortgage Representative for more information.

### Residual Income Table

Family Size	Northeast	Midwest	South	West
1	\$540	\$529	\$529	\$589
2	\$906	\$886	\$886	\$998
3	\$946	\$927	\$927	\$1031
4 or more	\$1066	\$1041	\$1041	\$1160

The Regions on the Table of Residual Income include the following states:

**Northeast Region:** CT, MA, ME, NH, NJ, NY, PA, RI, VT

**Midwest Region:** IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI

**South Region:** AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA, VI, WV

**West Region:** AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Family members that live in the home are included in Family Size, but their income can be used as a compensating factor to reduce Family Size.

### Cash Payment Options

Six cash payment options are available:

- **Single payment** at closing (lump sum)
- **Line of credit payments**
- **Term payment plan** provides for equal monthly payments to the borrower over a fixed term agreed to by the lender and the borrower
- **Modified term payment plan** combines the characteristics of a term payment plan with a line of credit payment plan
- **Tenure payment plan** provides for equal monthly payments to the borrower for the life of the loan
- **Modified tenure payment plan** combines the characteristics of a tenure payment plan with a line of credit payment plan

