

REVERSE MORTGAGE GUIDE

Reap The Rewards Of A Lifetime Investment
In Homeownership



**INVICTA
MORTGAGE
GROUP**

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Make The Most Of Retirement

Homeownership is likely the most important investment you've made on the road of life. When you retire and your income needs change, the equity you've built in your home over the years can serve as a resource to provide financial security and peace of mind. If you are a homeowner age 62 or older looking to supplement your income or prepare for unexpected or future expenses, a reverse mortgage may be just the solution for you. Now's the time to put your home to work for you.

Program Overview

What Is A Reverse Mortgage?

A reverse mortgage is a special mortgage created by the United States Government. It allows you to borrow against the equity you've established in your home. Instead of making monthly payments, you can choose to receive them. That's the "reverse" part of a reverse mortgage. To be eligible, you must be age 62 years or older and own your home free and clear or have an existing mortgage balance that can be paid off by the reverse mortgage.

How Does It Differ From A Traditional Home Loan?

With a traditional mortgage or home equity loan, homeowners qualify based on their credit history and debt-to-income ratio. They borrow money which requires making monthly payments. With a reverse mortgage, your home makes payments to you and there are no income, employment or credit score qualifying restrictions.

Why Get A Reverse Mortgage?

A reverse mortgage can give you access to your home's equity without the burden of monthly payments – allowing you to cover your expenses and stay in your home or purchase a home ideal for you.

Reverse mortgage

proceeds may be used for any purpose, including:

- Eliminating your existing mortgage
- Meeting daily or monthly expenses
- Covering healthcare expenses
- Remodeling or home repairs
- Reducing credit card debt

When it is time to receive your loan proceeds, you can base your disbursement schedule on your needs. Choose from monthly payments, a line of credit to draw from, a lump sum, or a combination of any of the above. You can even change how you receive your reverse mortgage proceeds as often as your needs or situation changes over time. And with the reverse mortgage for purchase feature, the loan proceeds purchase a new primary residence better suited to your needs.

Three Essential Facts

Making an educated decision begins with addressing common misconceptions that keep many senior homeowners from looking into the advantages of a reverse mortgage. Contrary to what you may have heard — as long as all program requirements are met:

- 1. You retain the title to the property and continue to own your home.**
- 2. Instead of making mortgage payments, you can have a mortgage that pays you.**
- 3. You cannot owe more than the value of the home.**

Program requirements include but are not limited to one of the borrowers continuing to live in the house, keeping the taxes and insurance current and maintaining the property according to FHA standards. If the program requirements are no longer being met and you or your heirs choose to retain ownership of the home, the full outstanding loan balance must be paid.

Loan Specifics

Eligibility Requirements

Reverse mortgage eligibility requirements are quite simple. There are no income, employment or credit score qualifying restrictions.

- All homeowners must be age 62 years or older and occupy the property as their principal residence.
- The home must be owned free and clear or have a remaining mortgage balance that can be paid off by the reverse mortgage.
- The property must be a single-family or a one-to-four unit, owner-occupied dwelling.
- Townhomes, detached homes, condominium units, planned unit developments (PUDs) and some manufactured homes are eligible.
- The home must meet Department of Housing and Urban Development (HUD) minimum property standards. In some cases, home repairs can be made after a reverse mortgage closing.

How Much Can Be Borrowed?

The amount that can be borrowed is determined by a HUD formula that is based on the following factors:

- The age of the youngest homeowner
- The appraised value of the home
- The established lending limit

So, based on the HUD formula, the older you are, the more your home is worth, and the lower the interest rate, the more you'll be able to borrow. For a personal calculation and details of how the national lending limit will be incorporated, call *Invicta Mortgage Group*.

Disbursement Options

You have several options to receive your reverse mortgage proceeds. They are available to you in the following distribution options:

- ***Lump Sum*** — A specific amount is made immediately available (often used to pay off an existing mortgage).
- ***Term*** — Funds are released in set monthly amounts for a set period requested by the customer.
- ***Tenure*** — Funds are distributed in equal monthly allotments for as long as at least one customer continues to occupy the home as a principal residence.
- ***Line Of Credit*** — Funds remain available for the customer to draw on as needed. Interest is paid on the unused balance of a line of credit.
- ***Combination*** — Customers receive any combination of lump sum, monthly, or line of credit distributions. Regardless of how you choose to receive your proceeds, you can adjust your plan as often as you wish to accommodate changing needs.

Loan Repayment

You do not need to repay the loan as long as you or one of the borrowers continues to remain in the home as your principal residence, keep the taxes and insurance current, and maintain the property to FHA standards. The balance due can come from home sale proceeds, or from other resources, such as savings, insurance or possibly applying for a new mortgage. There is no requirement that the home be sold, only that the loan be repaid. If the program requirements are no longer being met and you or your heirs choose to retain ownership of the home, the full outstanding loan balance must be paid. **Invicta Mortgage Group** can provide more details about when repayment may be due.

Effect On Other Benefits

Reverse mortgage loan proceeds are not considered income and will not affect Social Security or Medicare benefits.

The Reverse Mortgage Process

Education

The process of getting a reverse mortgage begins with the phase you are in now. You are taking the time to get information and learn more about this kind of home financing to determine if it is right for you.

Counseling

Reverse mortgage applicants are required to participate in a consumer education session with a HUD-approved counselor. Family members and other advisors are welcome to accompany you. The counselor will explain the legal and financial obligations of a reverse mortgage and discuss other financing alternatives to help ensure you make the right decision.

Application

Invicta Mortgage Group will help you complete and sign your reverse mortgage loan application. Shortly after the application is submitted, as required by federal Truth-in-Lending Act, you will receive a disclosure that outlines your total estimated loan cost.

Processing

Appraisal

Invicta Mortgage Group will arrange for a professional appraiser to contact you to schedule an appraisal that will determine the value of your home. The appraisal will be used to calculate the amount you can receive from your reverse mortgage. Once your appraisal is completed, your appraisal report will be reviewed to ensure it meets minimum guidelines and may be approved, suspended, or approved subject to repairs. You will be provided with a copy of your appraisal at closing.

Insurance

• ***Homeowners Insurance***

Most lenders require that your homeowners policy provides for loss/settlement on a replacement cost basis. In the event that replacement

coverage is not available, your home must be insured at the maximum dwelling coverage limit allowable for your property. Invicta Mortgage Group will verify your coverage with your insurance agent. At that time, your homeowner's insurance will also be updated, with your authorization, to reflect your lender as the first mortgagee on your homeowners policy or condo certificate of insurance.

• *Title Insurance*

There are two types of title insurance. One protects the lender and one protects the borrower. Together, the coverage protects you and your lender from claims against ownership of the property, which might be made by:

- Undisclosed spouses
- Heirs of previous owners
- Creditors holding liens against previous owners
- Or other parties

You will be required to purchase a title policy that covers your reverse mortgage lender's interest in the property. The decision to purchase a policy that protects your interest is up to you.

Underwriting

Once your appraisal is approved, a value has been determined, and the title report has been cleared, an underwriter will review your loan and supporting documents to ensure that approval conditions have been met and then issue the clearance to close. If additional approval items are required, you will be notified by **Invicta Mortgage Group** or a loan document specialist. If all approval conditions have been met, your loan is now ready to close.

Closing

Processing and underwriting your reverse mortgage generally takes approximately six to eight weeks before you are ready to close. Your closing must be coordinated with many parties, which may include: you, your lender, your attorney, and the title company representative.

Before The Closing — **Invicta Mortgage Group** will help you go through a loan closing checklist to make sure the following items are in order:

- Closing costs and escrow amounts — Your Good Faith Estimate may not include all closing costs such as interim interest or property taxes. You will need to finalize your actual costs with your attorney or closing agent to avoid last-minute surprises.
- Acceptable method of payment — In most cases closing costs may be financed as part of the reverse mortgage.
- Any additional items needed — Some counties require photo ID, evidence of hazard or flood insurance or other miscellaneous documents. This is the time to gather all the paperwork that may be required at closing.

At Closing Time — Reverse mortgage customers can choose where they would like their closing to take place, in a title office or at their home. The loan documents, including the mortgage or deed of trust, are forwarded to you to read and sign as instructed, and pay any applicable closing costs. Any funds disbursements due to you will be forwarded from the processing center shortly thereafter.

After The Closing — As a reverse mortgage customer, you have responsibilities similar to those associated with a traditional mortgage, such as:

- Paying your property taxes
- Keeping your insurance coverage up-to-date
- Maintaining the home

Questions And Answers

Q. Are there restrictions on how I can use my reverse mortgage proceeds?

A. Absolutely not! It's your money to use as you see fit.

Q. Am I qualified for a reverse mortgage if I have an existing loan on my home?

A. Yes, but the existing loan must be paid off prior to or at your reverse mortgage closing. Quite often a reverse mortgage is used to pay off an existing loan.

Q. My property is held in a Living Trust. Do I qualify?

A. Yes, as long as you are the primary trustee and are qualified by age.

Q. My children and I own the property in joint tenancy to avoid probate. Do we qualify?

A. Yes, if the children are at least 62 and older and live in the property.

Q. Does the IRS consider monthly reverse mortgage advances as income?

A. No. The cash advances are actually loan distributions and are not considered income. Consult your tax advisor to confirm your advances would be tax-free.

Q. Are manufactured homes eligible?

A. Yes. The home must have been built after June 15, 1976, placed on an FHA approved permanent foundation for a minimum of one year, and meet minimum HUD property standards.

Q. My spouse is permanently in a nursing home. Can we participate?

A. Yes. As long as all other program requirements are met, only one owner is required to occupy the property as a principal residence.

Q. Can the lender take my home away if I outlive my loan term?

A. No! Moreover, you do not need to repay the loan as long as you or one of the borrowers continues to live in the house, keep the taxes and insurance current and maintain the property to FHA standards. And you can never owe more than your home's value.

Q. What if I move out of the home temporarily for medical reasons?

A. Borrowers may leave the property for up to 12 consecutive months for medical reasons and will need to continue to meet the program requirements. After this time, the borrower must be able to return to the home as their primary residence.

Q. What if I need to permanently move out of my home?

A. Repayment of the loan is required when the last surviving borrower no longer occupies the home as their principal residence. The balance due can come from home sale proceeds or from other resources, such as savings, insurance or possibly applying for a new mortgage. There is no requirement that the home be sold, only that the loan be repaid in full.

Q. Will I still have an estate that I can leave to my heirs?

A. The home is the only collateral attached to the loan. Any remaining home equity, along with your other possessions, is unaffected by the reverse mortgage.

Mortgage Terminology

Following are definitions to commonly used mortgage terms included in this guide or that you may hear during the reverse mortgage process.

Appraisal > A report written by a qualified expert that states an opinion on the value of a property based on its characteristics and the selling prices of similar properties or comparable properties in the area.

Appreciation > An increase in the value of a house due to changes in market conditions or other causes.

Closing > The final step after a lender approves an application. The occasion when a borrower signs loan documents, including the mortgage or deed of trust, and when closing costs are paid. Also referred to as the “settlement.”

Closing Agent > Usually an attorney or title agency representative who oversees the closing and witnesses the signing of the closing documents.

Closing Costs > The costs to obtain a mortgage loan. Closing costs cover any services and charges — such as title search and insurance, appraisals, surveys, credit histories, required inspections, taxes, and recording fees — that are necessary to complete the transaction.

Counseling Session > Before a homeowner can apply for a reverse mortgage, they are required to attend a consumer education session with a HUD-approved counseling agency. This session can be provided face-to-face or via telephone. The purpose of the session is to explain the legal and financial consequences of obtaining a reverse mortgage.

Credit Report > A report issued by a consumer reporting agency that contains certain information concerning a mortgage applicant’s credit history and current credit standing.

Deed of Trust > The legal document conveying title to a property.

Good Faith Estimate > A document that tells mortgage borrowers the approximate costs they will pay at or before closing based on common practices in the locality.

Home Equity > Your ownership interest, or that portion of the value of the property that exceeds the current amount of your home loan. For example,

if the property is worth \$100,000 and the loan is for \$75,000, then you have \$25,000, or 25% equity in your home.

Home Equity Conversion Mortgage (HECM) > A type of FHA-insured reverse mortgage that allows either a fixed- or variable-interest rate.

Homeowner's Insurance (also called Hazard Insurance) > A real estate insurance policy required of the buyer protecting the property against loss caused by fire, some natural causes, or vandalism. May also include added coverage such as personal liability and theft away from the home.

HUD > The government agency of Department of Housing and Urban Development.

HUD-1 Settlement Statement > A standard form used to disclose costs at closing.

Index > A published interest rate, such as the prime rate, LIBOR, T-Bill rate, or the 55th District COFI. Lenders use indexes to establish interest rates charged on mortgages or to compare investment returns. On ARMs, a predetermined margin is added to the index to compute the interest rate adjustment.

Interest Rate > The interest that is paid to the lender for the use of the money, usually expressed as an annual percentage rate.

Lien > A legal claim against a property as security for a payment of an obligation.

Loan Balance > The outstanding balance of a reverse mortgage loan. Equal to principal plus financed fees plus all accrued interest.

Loan Proceeds > Payments to a customer through a reverse mortgage.

Margin > The number of percentage points added to the index to calculate the interest rate for a variable-rate mortgage at each adjustment period.

Mortgage > A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Insurance Premium (MIP) > The fee paid by a borrower to FHA or a private insurer for mortgage insurance that protects the lender against the risk that the loan balance might at some time exceed the value of the home.

Origination Fee > The amount collected by the lender for making a loan. It can be financed into the loan to cover the lender's costs in preparing the initial loan application and the processing of the loan.

Principal Residence > The property is considered the primary residence of the borrower.

Processing > The completion of a mortgage loan application and supporting documents.

Rate Cap > The limit of how much the interest rate may change on an ARM at each adjustment and over the life of the loan.

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

Servicing Fee > The fee paid by the borrower to cover record keeping and other administrative costs of processing mortgage payments. This flat fee will be added to the outstanding loan balance each month.

Title > A legal document establishing the right of ownership.

Title Search > A check of title records 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.

Truth-in-Lending Statement > Required by federal regulations, this statement tells borrowers the costs of financing their loan expressed as the annual percentage rate (APR).

Underwriting > The process of a lender reviewing the application, documentation, and property prior to rendering a loan decision.

Variable-Rate Mortgage > A loan with an interest rate that changes with market conditions on pre-determined dates.

About Invicta Mortgage Group

Invicta Mortgage Group is a locally owned and operated mortgage banking corporation. Licensed by the Pennsylvania Department of Banking, **Invicta Mortgage Group** has been helping people achieve home ownership since 1998. We are one of the few area mortgage bankers approved to offer FHA loans, which provide minimal down payment requirements on home purchases. A member of the National Association of Mortgage Brokers, PA Association of Mortgage Brokers, and Mortgage Bankers Association of PA, **Invicta Mortgage Group** is in good standing with the Pennsylvania Department of Banking, the Chamber of Commerce and the Better Business Bureau. **Invicta Mortgage Group's** knowledgeable staff has well over half a century of combined experience. Our mission is to make sure that our customers receive the best services available when purchasing the home of their dreams or refinancing their existing home. **Invicta Mortgage Group** offers a full range of programs from new home purchases with little or no money down options to refinancing with cash-out, which provides up to 85% of the appraised value of the home. **Invicta Mortgage Group** will guide your every step from the very beginning stages right through the closing of your loan.

**For more information about Reverse Mortgages,
call (570) 207-6334.**

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Information contained herein is accurate as of the date of printing and is subject to change without notice.
Not every applicant qualifies for a loan. Certain criteria must be met.

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