



HIGHTECHLENDING
THE NEW WORLD OF MORTGAGE BANKING

Reverse By The Number

Working Reverse Mortgage Loans in Reverse Vision



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Introduction

The ReverseVision loan comparison printout provides an itemization of a loan's numbers. It is one of the most important documents that you disclose to, and discuss with, your borrowers.

These numbers include the rates and fees, the calculations, and the available funds and requested payments. The calculations are based on:

- The age of the youngest borrower or non-borrowing spouse.
- The interest rate of the product chosen.
- The value of the home, or maximum claim amount.

In short, the loan comparison helps a borrower determine if the reverse mortgage will address and meet their financial goals and needs.

ReverseVision Borrower Screen

You can generate a basic quote in ReverseVision after you input all the information into the fields on the Borrower screen that display a red stop sign. To generate a proposal, however, you must also input information into fields that display a yellow yield sign.

The screenshot displays the 'Mary Doe - Prospect - Retail' interface. The left sidebar shows a navigation menu with sections: Loan, Processing, Financial Assessment, Underwriting, Closing, Shipping, and PostClosing. The main area is divided into several sections:

- Person:** First Name: Mary, Middle Name: Jane, Last Name: Doe, Sex: Female, Date of Birth: 1-1-40, is estimate: N. Includes 'Add Relationships' and 'Add CoBorrower' buttons.
- Mailing Address:** Formal Name, Salutation, Address1, Address2, ZIP, State, City. A red stop sign is on the Address1 field, and yellow yield signs are on the ZIP, State, and City fields.
- Communication:** Home Phone: (888) 777-3311, Bus Phone, Ext, Mobile Phone, Fax, Email, Greeting.
- Loan Information:** Property ZIP, State: US, County, City, Closing Date: 12/22/2014. A red stop sign is on the Property ZIP field, and a yellow yield sign is on the City field.
- Financial Information:** Property Value, Liens, Property Type: Single Family, Purpose: Refinance, Old RESPA Rules.
- Counseling:** Counseling Wizard: Counseling Wizard.
- Other:** 'This is a HECM to HECM Refinance' checkbox.

At the top, there is a menu bar (File, Settings, Diagnostics, Tools, Documents, Recent Loans, Help) and a toolbar with icons for New, Save, Quick Calc, Pipeline, Status: Prospect, and Submit Loan.

Loan Screen

When you complete the fields, click Loan to display the Loan screen. Click a product to display its specific payment plan and interest rate.

Note: The Loan link does not display until all required Borrower fields are complete.

The screenshot displays the 'Mary Doe - Prospect - Retail' loan screen. The 'Loan' link in the left sidebar is highlighted with a red box. A pie chart shows the breakdown of funds: Equity Reserves (\$96,500), Financing Fees (\$8,333), and Insurance Fees (\$1,250). Two callout boxes show the 'Annual Labor R 2014' and 'Monthly Labor R 2014' options, with a total of \$143,917.05. The right sidebar contains 'Loan Limitations' and 'Loan Features' sections.

Category	Value
Funds Available at Closing	\$2,517.05
Cash at Closing Request	\$0.00
Tenure Available During 1st Year	\$27.86
Tenure Available After 1st Year	\$27.86
Funds Available at Lower IMIP	\$2,517.05
Cash at Closing Request	\$0.00
Tenure Available During 1st Year	\$27.86
Tenure Available After 1st Year	\$27.86
Total Line Of Credit Request	\$143,917.05

Category	Value
Cap Initial Disbursement Limit at Low IMIP	<input type="checkbox"/>
Calc Tenure	<input checked="" type="checkbox"/>
Calc Term	<input type="checkbox"/>
Cash Requested	\$0.00
Mo Pmt During 1st Year	\$0.00
Monthly Payment Request	\$0.00
LOC Available 1st Year	\$2,517.05
LOC Available After 1st Year	\$1,400.00

Product	Value
Annual Labor R 2014	\$143,917.05
Monthly Labor R 2014	\$0.00
R Fixed (>60) 2014	\$0.00
R Fixed (<60) 2014	\$0.00
HomeSafe Retail	\$0.00
HomeSafe Broker	\$0.00

Fee Screen

The Fee screen displays all the fees associated with the loan. Review the screen to compare fees with the GFE validator, and change the fees as necessary.

HUD#	Description	LPOC	GFE	POC	Amount	SbB	Payee	Set Default	EFW
800 Items Payable in Connection with Loan									
0%	801				4,500.00		Finance of America Re	<input type="checkbox"/>	<input checked="" type="checkbox"/>
0%	802		0.00					<input type="checkbox"/>	<input type="checkbox"/>
10%	804			0.00	475.00			<input type="checkbox"/>	<input type="checkbox"/>
10%	805			0.00	20.00			<input type="checkbox"/>	<input type="checkbox"/>
10%	807			0.00	10.00			<input type="checkbox"/>	<input type="checkbox"/>
0%	808			0.00	175.00			<input type="checkbox"/>	<input type="checkbox"/>
0%	809			0.00	11.95			<input type="checkbox"/>	<input type="checkbox"/>
900 Items Required by Lender to Be Paid in Advance									
10%	902				0.00			<input type="checkbox"/>	<input type="checkbox"/>
10%	1114						Recording Service	<input type="checkbox"/>	<input type="checkbox"/>



ReverseVision

The information on this screen populates the Good Faith Estimate we print out and give to the borrower.

The screenshot shows the ReverseVision software interface. At the top, there is a menu bar with options: New, Save, Quick Calc, Pipeline, Status: Prospect, Submit Loan, and Duplicates. Below the menu bar is a table with columns: HUD#, Description, LPOC, GFE, POC, Amount, SbB, Payee, Set Default, and EFW. The table is divided into sections: 800 Items Payable in Connection with Loan, 900 Items Required by Lender to Be Paid in Advance, and 1100 Title Charges. The left sidebar shows a tree view with categories: Jane Sample, Processing, and Financial Assessment.

HUD#	Description	LPOC	GFE	POC	Amount	SbB	Payee	Set Default	EFW
800 Items Payable in Connection with Loan									
0%	801				4,500.00		Finance of America Re		<input checked="" type="checkbox"/>
0%	802		0.00						<input type="checkbox"/>
10%	804			0.00	475.00				<input type="checkbox"/>
10%	805			0.00	20.00				<input type="checkbox"/>
10%	807			0.00	10.00				<input type="checkbox"/>
0%	808			0.00	175.00				<input type="checkbox"/>
0%	809			0.00	11.95				<input type="checkbox"/>
900 Items Required by Lender to Be Paid in Advance									
10%	902				0.00				<input type="checkbox"/>
1100 Title Charges									
10%	1102			0.00	550.00	<input type="checkbox"/>			<input type="checkbox"/>
	1103			0.00	0.00	<input type="checkbox"/>			<input type="checkbox"/>
10%	1104			0.00	870.00	<input type="checkbox"/>			<input type="checkbox"/>
	1105				250,000.00				
10%	1110			0.00	0.00	<input type="checkbox"/>			<input type="checkbox"/>

Financial Assessment

Mortgagee Letters 2014-21 and 2014-22, which included the HECM Financial Assessment and Property Charge guide, were issued on November 10, 2014. FAR uses the Financial Assessment (FA) to evaluate whether a borrower qualifies for the HECM loan, and under what conditions. The FA specifically looks at “willingness” and “capacity” of the borrower to meet his or her financial obligations and meet HECM requirements.

- **Willingness:** Past performance and credit history.
- **Capacity:** Using income, assets and expenses to calculate residual cash flow.

The Financial Assessment became effective, industrywide, on April 27, 2015.

Financial Assessment, cont.

A complete financial analysis of each HECM borrower is a condition of HECM approval. All HECM borrowers verify and document the following:

- Credit history and property charge payments
- Income and Assets
- Expenses
- Residual Income

FAR collects the borrower's authorization to verify the information we need to perform the FA. This includes a Non-Borrowing Spouse (NBS) or Other Non-Borrowing Household Member's (ONBHM) authorization, whenever necessary.

Financial Assessment, cont.

Include all members of the household when you calculate family size, including non-borrowing spouse and any other individuals who depend on the borrower for support. Omit individuals who have a source of verified income, and do not rely on the borrower for support.

Family Size	Northeast	Midwest	South	West
1	\$ 540	\$ 529	\$ 529	\$ 589
2	\$ 906	\$ 886	\$ 886	\$ 998
3	\$ 946	\$ 927	\$ 927	\$1,031
4 or more	\$1,066	\$1,041	\$1,041	\$1,160

Refer to the table to calculate and enter Residual income by family size and region.

Region	States
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI
South	AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

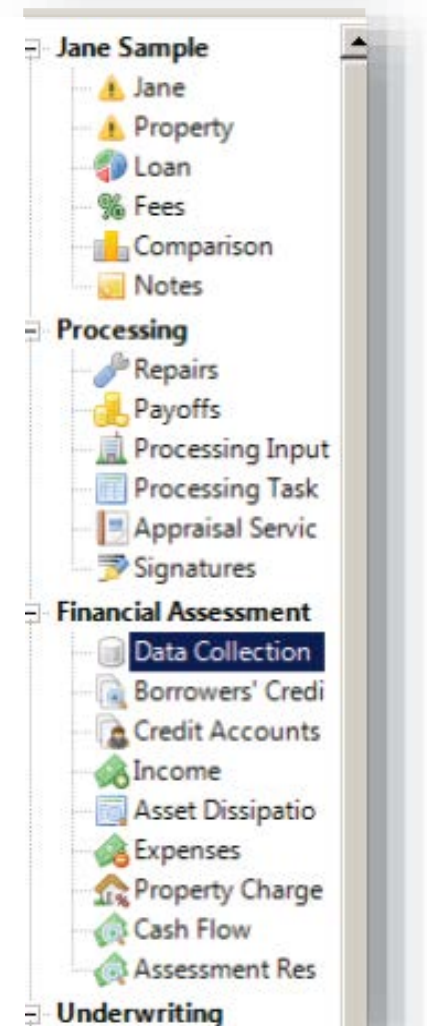


Financial Assessment, cont.

There are two types of Life Expectancy Set-Asides (LESAs): the partially-funded LESA and the fully-funded LESA.

Note: Borrowers can choose to have a LESA even if they pass Financial Assessment. However, they cannot cancel a LESA after they obtain it.

To determine if a borrower requires a LESA, enter information into the ReverseVision Financial Assessment screens.



Financial Assessment, cont.

Financial Assessment Results

Variables

	Approved:	Expires:
Residual Income Result Please Select...	<input type="text"/>	<input type="text"/>
Credit History Result Please Select...	<input type="text"/>	<input type="text"/>
Property Charge Payment History Result Please Select...	<input type="text"/>	<input type="text"/>

Extenuating Circumstances

[Add Extenuating Circumstance](#)

Circumstance is For	Description
+	

After you enter all information into the Financial Assessment screens, the Assessment Results screen indicates whether or not the borrower requires a LESA, or even that the loan must be denied because of credit issues.

Results

Financial Assessment Result: Please Select...

Property Charge Funding: Life Expectancy Set Aside Not Required

Assessment Approved	Approval Expiration
<input type="text"/>	<input type="text"/>

% of RI Requirement Fulfilled: -38.12 %

Property Taxes as % of Monthly Income: 4.76 %

Reason for Financial Assessment Failure (If Applicable, Select all that apply):

- Recent Derogatory Credit and/or Property Charges
- Insufficient Cash Flow
- Insufficient Residual Income
- Demonstrated Lack of Willingness to Pay for Monthly Obligations

Life Expectancy Set Aside Calculation

Real Estate Taxes:	\$800.00	Expected Rate:	5.00 %
Hazard Insurance:		Accrual Rate:	1.25 %
Flood Insurance:	\$0.00	Total:	6.25 %
Total:	\$2,000.00	Monthly Total	0.52 %
Adjusted Total (120%):	\$2,400.00	Life Expectancy of Youngest Borrower in Months:	108 months
Monthly Total:	\$200.00		

Life Expectancy Set Aside Total: **\$16,574.25**

1st Year Life Expectancy Set Aside: **\$2,000.00**

Life Expectancy Set Aside is not required. If the borrower elects to take a Full Set Aside, the above calculation reflects the total amount.



Comparison Screen

The ReverseVision Comparison screen displays the available products side by side. You can add and delete products, as well as export, print, or email a comparison directly from this screen.

The product with bolded numbers and an orange column header is the chosen product (see next slide).

The products with a green background in the Remaining Principal Balance field provide highest principal limit loan amount.



Comparison Screen

	Annual Labor R 2014 Finance of America Revers	Monthly Labor R 2014 Finance of America Revers	R Fixed (>60) 2014 Finance of America Revers	R Fixed (<60) 2014 Finance of America Revers
Index	1YrLibor	1MoLibor	N/A	N/A
Margin	3.150	3.390	N/A	N/A
Initial Rate	4.344%	3.828%	5.060	6.990
Expected Rate	4.820%	5.060%	5.060%	6.990%
MIP	1.25%	1.25%	1.25%	1.25%
Cap on Interest Rate	9.344%	13.828%	5.060%	6.990%
Monthly Servicing Fee	\$0.00	\$0.00	\$0.00	\$0.00
Initial LOC Growth	5.594%	5.078%	N/A	N/A
Home Value	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00
Lending Limit	\$625,500.00	\$625,500.00	\$625,500.00	\$625,500.00
Max. Claim Amount	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00
Principal Limit	\$144,000.00	\$144,000.00	\$144,000.00	\$91,250.00
- Servicing Fee Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Principal Limit	\$144,000.00	\$144,000.00	\$144,000.00	\$91,250.00
- IMIP	\$0.00	\$0.00	\$0.00	\$0.00
- Origination Fee	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00
- Other Costs	\$3,196.95	\$3,196.95	\$3,196.95	\$3,196.95
+ Credits	\$0.00	\$0.00	\$0.00	\$0.00
Remaining Principal Limit	\$136,303.05	\$136,303.05	\$136,303.05	\$83,553.05
- Liens and Mortgages	\$0.00	\$0.00	\$0.00	\$0.00
- Repair Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Life Expectancy Set Aside Type	Not Required			
- 1st Year Tax and Insurance Set Aside	N			
- Additional Tax and Insurance Set Aside	N			
1st Year Life Expectancy Set Aside	\$0.00			
Additional Life Expectancy Set Aside	\$0.00			
- Total Life Expectancy Set Aside	\$0.00			
Available Principal Limit	\$136,303.05	\$136,303.05	\$136,303.05	\$83,553.05
Funds Available at Closing	\$78,703.05	\$78,703.05	\$78,703.05	\$78,703.05
Monthly Tenure During 1st Year	\$819.00	\$819.00	\$819.00	\$819.00
Monthly Tenure Available	\$819.00	\$819.00	\$819.00	\$819.00
Cash Request	\$0.00	\$0.00	\$0.00	\$0.00
Monthly Payment During 1st Year	\$0.00	\$0.00	\$0.00	\$0.00
Monthly Payment Request	\$0.00	\$0.00	\$0.00	\$0.00
Line Of Credit Available 1st Year	\$78,703.05	\$78,703.05	\$78,703.05	\$78,703.05
Additional Line Of Credit Available After 1st Year	\$57,600.00	\$57,600.00	\$57,600.00	\$57,600.00
Total Line Of Credit Available	\$136,303.05	\$136,303.05	\$136,303.05	\$136,303.05
Cap Initial Disbursement Limit at Low IMIP	<input type="checkbox"/>			
Total Mandatory Obligations	\$7,696.95	\$7,696.95	\$7,696.95	\$7,696.95
% of Principal Limit	5.35	5.35	5.35	5.35
Initial Disbursement Limit	\$86,400.00	\$86,400.00	\$86,400.00	\$86,400.00
% of Principal Limit	60.00	60.00	60.00	60.00
Initial Loan Balance (UPB)	\$7,696.95	\$7,696.95	\$7,696.95	\$7,696.95
% of Principal Limit	5.35	5.35	5.35	5.35
Single Disbursement Lump Sum Option	<input type="checkbox"/>			
Unavailable Principal Limit	\$0.00	\$0.00	\$57,600.00	\$36,500.00



The Numbers

The Comparison screen displays all the numbers associated with the loan, from the index and initial rate, to the principal limit and closing costs.

The key to explaining these numbers to your borrower is to look everything over and make sure it makes sense to you before you present the information to the client.

The Loan Comparison printout displays the screen information by category: Rates and Fees, Calculation and Available Funds, Requested Payments.

Reverse Mortgage Comparison		Estimates For: Jane Marie Sample (10/25/1945)			
From: Christina Danish, Finance of America Reverse LLC Phone: 330-802-5372		Closing Date: 4/25/2016 (estimate)			
Rates and Fees	Annual Libor R 2014	Monthly Libor R 2014	R Fixed (>60) 2014	R Fixed (<60) 2014	
Margin	3.150%	3.390%	N/A	N/A	
Initial Interest Rate	4.344%	3.828%	5.060%	6.990%	
Expected Interest Rate	4.820%	5.060%	5.060%	6.990%	
Ongoing Mortgage Insurance Rate	1.25%	1.25%	1.25%	1.25%	
Cap on Interest Rate	9.344%	13.828%	5.060%	6.990%	
Initial Line of Credit Growth	5.594%	5.078%	N/A	N/A	
Calculation					
Home Value	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00	
Maximum Claim Amount	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00	
Principal Limit	\$144,000.00	\$144,000.00	\$144,000.00	\$91,250.00	
- IMIP	\$0.00	\$0.00	\$0.00	\$0.00	
- Origination Fee	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	
- Other Costs	\$3,196.95	\$3,196.95	\$3,196.95	\$3,196.95	
+ Credits	\$0.00	\$0.00	\$0.00	\$0.00	
Remaining Principal Limit	\$136,303.05	\$136,303.05	\$136,303.05	\$83,553.05	
- Liens and Mortgages	\$0.00	\$0.00	\$0.00	\$0.00	
- Repair Set Aside	\$0.00	\$0.00	\$0.00	\$0.00	
Life Expectancy Set Aside	No LESA	No LESA	No LESA	No LESA	
First Year Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00	
Additional Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00	
- Total Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00	
Total Mandatory Obligations	\$7,696.95	\$7,696.95	\$7,696.95	\$7,696.95	
% of Principal Limit	5.35%	5.35%	5.35%	8.44%	
Initial Disbursement Limit	\$86,400.00	\$86,400.00	\$86,400.00	\$54,750.00	

Rates and Fees

The Rates and Fees section of the loan comparison displays:

- **Margin:** A cushioning amount the lender adds to the index rate when determining the initial and current interest rates. The index currently used is the London Interbank Offered Rate, or "LIBOR."
- **Initial Interest Rate:** The interest rate that is effective on the loan comparison date. This is the rate used to calculate the interest that initially accrues on the outstanding loan balance every month.
- **Expected Interest Rate:** The interest rate applied to the amount the borrower can draw from the loan proceeds under the various disbursement options. It is the 10-year LIBOR swap rate

Rates and Fees, cont.

- **Ongoing Mortgage Insurance Rate:** The annual mortgage insurance premium amount. The formula is (outstanding loan balance) X 0.10417, which is 1/12th the annual rate assessed monthly.
- **Cap on Interest Rate:** The limit by which an adjustable interest rate can go up or down during a specified time period.
- **Initial Line of Credit Growth:** This is the line of credit balance at closing adjusted every month. **Note:** The margin and the ongoing mortgage insurance remain the same, but the LIBOR is subject to change, either monthly or annually.

Rates and Fees, cont.

The calculation for the growth rate is (1-month LIBOR Rate) + (Lender's margin) + 1.25% (the ongoing mortgage insurance rate).

$$0.438 + 2.5 + 1.25 = 4.188\%$$

Index	Source	Tuesday 5/10/2016	Tuesday 5/3/2016	Change	Use
1-month LIBOR	WSJ	0.438%	0.436%	+0.002%	LIBOR Monthly HECM
1-year LIBOR	WSJ	1.224%	1.230%	-0.006%	LIBOR Annual HECM
10-year Swap	FED H.15	1.67%	1.67%	0.000%	
1-month CMT	FED H.15	0.17%	0.17%	0.000%	
1-year CMT	FED H.15	0.52%	0.52%	0.000%	
10-year CMT	FED H.15	1.81%	1.81%	0.000%	
30-year CMT	FED H.15	2.65%	2.65%	0.000%	

	Monthly Libor R Finance of America Revers	Annual Libor R Finance of America Revers
Index	1MoLibor	1YrLibor
Margin	2.500	2.500
Initial Rate	2.938%	3.724%
Expected Rate	4.170%	4.170%
MIP	1.25%	1.25%
Cap on Interest Rate	12.938%	8.724%
Monthly Servicing Fee	\$0.00	\$0.00
Initial LOC Growth	4.188%	4.974%

Rates and Fees: Calculation

Rates and Fees	Annual Labor R 2014	Monthly Labor R 2014	R Fixed (>60) 2014	R Fixed (<60) 2014
Margin	2.500%	2.500%	N/A	N/A
Initial Interest Rate	3.047%	2.657%	4.990%	6.990%
Expected Interest Rate	4.810%	4.810%	4.990%	6.990%
Ongoing Mortgage Insurance Rate	1.25%	1.25%	1.25%	1.25%
Cap on Interest Rate	8.047%	12.657%	4.990%	6.990%
Initial Line of Credit Growth	4.297%	3.907%	N/A	N/A

Calculation				
Home value	\$350,000.00	\$350,000.00	\$350,000.00	\$350,000.00
Maximum Claim Amount	\$350,000.00	\$350,000.00	\$350,000.00	\$350,000.00
Principal Limit	\$199,150.00	\$199,150.00	\$199,150.00	\$125,300.00
- IMIP	\$8,750.00	\$8,750.00	\$8,750.00	\$8,750.00
- Origination Fee	\$5,500.00	\$5,500.00	\$5,500.00	\$5,500.00
- Other Costs	\$4,636.95	\$4,636.95	\$4,636.95	\$4,636.95
+ Credits	\$0.00	\$0.00	\$0.00	\$0.00
Remaining Principal Limit	\$180,263.05	\$180,263.05	\$180,263.05	\$106,413.05
- Liens and Mortgages	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00
- Repair Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
- 1st Year Tax and Insurance Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Total Mandatory Obligations	\$143,886.95	\$143,886.95	\$143,886.95	\$143,886.95
% of Principal Limit	72.26%	72.26%	72.26%	114.84%
Initial Disbursement Limit	\$163,801.95	\$163,801.95	\$163,801.95	\$125,300.00
% of Principal Limit	82.26%	82.26%	82.26%	100.00%
- Additional Tax and Insurance Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Available Principal Limit	\$55,263.05	\$55,263.05	\$55,263.05	-\$18,586.95



Rates and Fees: Calculation, cont.

The Calculation section displays:

- **Home Value:** Initially the home value includes the borrower's estimate, loan officer's research, and other factors. Later, it is the underwritten appraised value. The lender changes this value based on the appraisal.
- **Maximum Claim Amount:** The lesser of a home's appraised value and the maximum amount that FHA will insure for single family residences in a given county. This amount determines the principal limit for a HECM loan.

Note: The current lending limit is \$625,500. If the home value EXCEEDS the current lending limit, this field contains the LOWER of the home value or the Maximum Claim Amount.

Rates and Fees: Principal Limit

This section displays the principal limit and the servicing fee set-aside.

Note: The Servicing Set-aside field displays on the ReverseVision Comparison screen. However, it does not currently appear on the Comparison document as FAR does not currently allow for this fee. However, some lenders do allow for this fee.

- **Principal Limit:** The loan amount the borrower qualifies for based on the home value, interest rate of the product chosen, and the age of the youngest borrower or non-borrowing spouse. It is also known as the “Loan to Value.”

Note: This number differs among HECM borrowers: The older the borrower, the higher the principal limit.

Principal Limit: IMIP

The Principal Limit section displays any adjustments to the principal limit amount, including IMIP, origination fee, third party costs, and any lender credits.

Initial Mortgage Insurance Premium (IMIP)

The Initial Mortgage Insurance Premium (IMIP) is always either 0.5% or 2.50% of the Maximum Claim Amount based on the amount of the principal limit, plus mandatory obligations the borrower takes at closing. If the borrower takes more than 60% of the principal limit amount, the IMIP is always 2.50% of the maximum claim amount. If the borrower takes 60% or less the IMIP is 0.5% of the maximum claim amount.

This section also displays the origination fee, third party costs, and any lender credits.

Principal Limit	\$199,150.00	\$199,150.00	\$199,150.00	\$125,300.00
- IMIP	\$8,750.00	\$8,750.00	\$8,750.00	\$8,750.00
- Origination Fee	\$5,500.00	\$5,500.00	\$5,500.00	\$5,500.00
- Other Costs	\$4,636.95	\$4,636.95	\$4,636.95	\$4,636.95
+ Credits	\$0.00	\$0.00	\$0.00	\$0.00



Principal Limit: Origination Fee

Origination Fee

The origination fee is calculated according to a formula: (**2% of the first \$200,000 of the Maximum Claim Amount**), + (**1% of any value above \$200,000**) to a maximum of **\$6,000**.

Example: The maximum claim amount on a loan is \$500,000.

First \$200,000 @ 2%: $\$200,000 \times 2\% = \$4,000$

Remainder @ 1%: $\$500,000 - \$200,000 = \$300,000 \times 1\% = \$3,000$

$\$4,000 + \$3,000 = \cancel{\$7,000} \rightarrow \$6,000$

The \$7,000 calculated total exceeds the maximum origination fee of \$6,000, so the origination fee is **\$6,000**.

Principal Limit	\$199,150.00	\$199,150.00	\$199,150.00	\$125,300.00
- IMIP	\$8,750.00	\$8,750.00	\$8,750.00	\$8,750.00
- Origination Fee	\$5,500.00	\$5,500.00	\$5,500.00	\$5,500.00
- Other Costs	\$4,636.95	\$4,636.95	\$4,636.95	\$4,636.95
+ Credits	\$0.00	\$0.00	\$0.00	\$0.00



Principal Limit: Other Costs

The “Other Costs” amount is a sum of payments to outside vendors for the appraisal, title inspection, credit report, settlement costs, and so forth. You can view a breakdown of these charges on the ReverseVision Fees screen, and change them as necessary.

“Other Costs” fees display on the Good Faith Estimate, and are usually not negotiable. In addition, some of these fees cannot exceed a 10% tolerance, while others cannot exceed the amount on the GFE AT ALL.

If the fees are disclosed too low, and the cost exceeds the amount disclosed, the lender is responsible for paying any amount over the disclosed amount, according to the RESPA laws.

Always check, validate and update these fees to ensure they are as accurate as possible.

Principal Limit	\$199,150.00	\$199,150.00	\$199,150.00	\$125,300.00
- IMIP	\$8,750.00	\$8,750.00	\$8,750.00	\$8,750.00
- Origination Fee	\$5,500.00	\$5,500.00	\$5,500.00	\$5,500.00
- Other Costs	\$4,636.95	\$4,636.95	\$4,636.95	\$4,636.95
+ Credits	\$0.00	\$0.00	\$0.00	\$0.00



Principal Limit: Credits

On some HECM transactions the lender can give the borrower “lender credits” in order to complete the transaction. For instance, the lender might issue a credit that permits a borrower to fall within certain tolerances, or authorize a credit to cover fees he or she can’t afford, or encourage a “shopping” borrower to move forward with the loan.

Credits are not always possible, but is something that lenders use when the numbers allow the transaction to close.

Note: Lender credits are not allowable with HECM for Purchase transactions.

Principal Limit	\$199,150.00	\$199,150.00	\$199,150.00	\$125,300.00
- IMIP	\$8,750.00	\$8,750.00	\$8,750.00	\$8,750.00
- Origination Fee	\$5,500.00	\$5,500.00	\$5,500.00	\$5,500.00
- Other Costs	\$4,636.95	\$4,636.95	\$4,636.95	\$4,636.95
+ Credits	\$0.00	\$0.00	\$0.00	\$0.00

Remaining Principal Limit

Generally borrowers choose to finance their closing costs through the HECM loan. The “Remaining Principal Limit” is the Principal Limit minus those closing costs.

The loan comparison then subtracts from the Remaining Principal Limit any liens, mortgages or repair set-asides the HECM will pay off at closing.

In addition you will find the LESA in this section. If the borrower(s) are required to have a LESA the total amount will be subtracted from the Remaining Principal Limit.

Remaining Principal Limit	\$136,303.05	\$136,303.05	\$136,303.05	\$83,553.05
- Liens and Mortgages	\$0.00	\$0.00	\$0.00	\$0.00
- Repair Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Life Expectancy Set Aside Type	Not Required	Not Required	Not Required	Not Required
- 1st Year Tax and Insurance Set Aside	N/A	N/A	N/A	N/A
- Additional Tax and Insurance Set Aside	N/A	N/A	N/A	N/A
1st Year Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Additional Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
- Total Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00

Liens and Mortgages

The title report displays any liens or mortgages that must be satisfied with the HECM loan or the cash proceeds the borrower brings to closing.

Other items on the title report that must be paid off at closing include Home Equity Lines of Credit (HELOCs), judgments, FIFAs (these are county-recorded liens against a debtor's real property), property and income taxes, defaulted loans, defaulted lines of credit, defaulted revolving credit, mechanic liens, etc.

Note: Sometimes the borrower is not aware of items on the title because people don't usually pull their titles, the way they access their credit reports.

Read and understand the various liens, and what your borrowers must do to satisfy them, so you can accurately communicate this to them.

Remaining Principal Limit	\$180,263.05	\$180,263.05	\$180,263.05	\$108,413.05
- Liens and Mortgages	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00
- Repair Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
- 1st Year Tax and Insurance Set Aside	\$0.00	\$0.00	\$0.00	\$0.00



Repair Set Asides

If the appraiser determines that the home does not meet minimal FHA standards, the HECM loan requires that the borrower either address the issues before closing, or agree to a repair set-aside containing funds for specific repairs, usually related to safety or structural issues on the subject property.

Lenders establish repair set-asides for an amount based on either the appraiser's estimated costs for repairs, or bids the borrower provides from licensed contractors.

Note: HUD prohibits repair set-asides that exceed 15% of the value of the home.

The formula for the set-aside amount is

- **Contractor bids:** 150% of the bid (the bid amount X 1.5)
- **Appraiser Estimates:** 200% of the estimate (the estimated amount X 2)

Remaining Principal Limit	\$180,263.05	\$180,263.05	\$180,263.05	\$106,413.05
- Liens and Mortgages	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00
- Repair Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
- 1st Year Tax and Insurance Set Aside	\$0.00	\$0.00	\$0.00	\$0.00



Tax and Insurance

HECM borrowers must live in the property as their primary residence, keep the property up to FHA standards, and pay annual property taxes and insurance (homeowners and flood insurance, as applicable), as well as any other property charges.

If they do not pay taxes and insurance or maintain the property, or if the underwriter has reason to believe they will not, the lender will require a LESA. This can be either a partially-funded or a fully-funded LESA. This all depends on willingness and capacity to pay their monthly obligations.

Remaining Principal Limit	\$136,303.05	\$136,303.05	\$136,303.05	\$83,553.05
- Liens and Mortgages	\$0.00	\$0.00	\$0.00	\$0.00
- Repair Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Life Expectancy Set Aside Type	Not Required	Not Required	Not Required	Not Required
- 1st Year Tax and Insurance Set Aside	N/A	N/A	N/A	N/A



Available Principal Limit

The Available Principal Limit is what remains after all closing costs, liens and other items are deducted from the loan. This is the amount that is available for the borrower to use.

Note: Each column and amount represents a different loan product.

Remaining Principal Limit	\$136,303.05	\$136,303.05	\$136,303.05	\$83,553.05
- Liens and Mortgages	\$0.00	\$0.00	\$0.00	\$0.00
- Repair Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Life Expectancy Set Aside Type	Not Required ▾	Not Required ▾	Not Required ▾	Not Required ▾
- 1st Year Tax and Insurance Set Aside	N/A	N/A	N/A	N/A
- Additional Tax and Insurance Set Aside	N/A	N/A	N/A	N/A
1st Year Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Additional Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
- Total Life Expectancy Set Aside	\$0.00	\$0.00	\$0.00	\$0.00
Available Principal Limit	\$136,303.05	\$136,303.05	\$136,303.05	\$83,553.05



Available Funds and Requested Payments

This section shows how the borrower chose to receive the available funds. If the loan comparison shows “Available cash at closing” the borrower can take this amount at closing, and during the first 12 months, per [Mortgagee Letter 2013-27](#). The Cash Request field contains the amount the borrower chose to receive at closing.

Note: Borrowers who do not withdraw the full amount during the first 12 months cannot withdraw the remaining balance later.

Available Funds and Requested Payments

Max Available Cash at Closing	\$19,915.00	\$19,915.00	\$19,915.00	-\$18,586.95
Cash Request	\$19,915.00	\$0.00	\$19,915.00	-\$18,586.95

The Total Line of Credit fields display the amount the borrower can hold for later withdrawal. A credit line is only available with ARM loans. The product type determines the amount of available credit during the first year and subsequent years.

Max Available Cash at Closing	\$19,915.00	\$19,915.00	\$19,915.00	-\$18,586.95
Cash Request	\$19,915.00	\$0.00	\$19,915.00	-\$18,586.95
Total Line Of Credit	\$35,348.05	\$55,263.05	N/A	N/A
Line Of Credit Available 1st Year	\$0.00	\$19,915.00	N/A	N/A
Line Of Credit Available After 1st Year	\$35,348.05	\$35,348.05	N/A	N/A
Available Monthly Tenure Payment 1st Year	\$328.04	\$328.04	N/A	N/A

Available Funds and Requested Payments, cont.

“Requested payments” are monthly term or tenure payments the borrower chooses to receive, during the first year and through subsequent years.

Note: Term and tenure payments are only available with ARM loans. Fixed loan products display N/A in this field.

Line Of Credit Available After 1st Year	\$35,348.05	\$35,348.05	N/A	N/A
Available Monthly Tenure Payment 1st Year	\$328.04	\$328.04	N/A	N/A
Monthly Payment 1st Year	\$0.00	\$0.00	N/A	N/A
Available Monthly Tenure Payment	\$328.04	\$328.04	N/A	N/A
Monthly Payment Request	\$0.00	\$0.00	N/A	N/A
Initial Loan Balance	\$163,801.95	\$143,888.95	\$163,801.95	\$125,300.00
Unavailable Principal Limit	\$0.00	\$0.00	\$35,348.05	\$0.00



Cap the Initial Disbursement

Mortgagee Letter 2013-27 stipulates that borrowers can only take:

- 60% of their Principal Limit,
- Or ,
- Mandatory obligations plus 10%.

Borrowers who need more than 60% to pay for mandatory obligations, or to obtain the additional 10% above the mandatory obligations, pay a higher initial mortgage insurance payment (MIP). The MIP amount increases from 0.5% to 2.5% of the Maximum Claim Amount.

The loan officer can cap the initial disbursement in ReverseVision on either the Loan screen or the Comparison screen so the borrower does not use more than 60% of the Principal Limit, and can perhaps bring additional funds to the closing table to save money on initial MIP.

This section also allows you to see the total mandatory obligations in both an amount and a percentage.

Total Mandatory Obligations

ReverseVision calculates all of the mandatory obligations. These include all closing costs, all mortgages, liens and any set asides, including repair set-asides.

ReverseVision also calculates the percentage of mandatory obligations against the Principal Limit. This enables you and your borrowers to determine how close they are to the 60% initial limit of funds.

Initial Disbursement Limit

ReverseVision calculates the exact amount of funds that are available to the borrower at closing, and for the first 12 months. This amount displays as an exact figure, and as a percentage.

The amount is based on a variety of factors, including the liens that must be paid off, the set-asides that are a part of the loan, and the loan product the borrower chose.

Total Mandatory Obligations	\$143,886.95	\$143,886.95	\$143,886.95	\$143,886.95
% of Principal Limit	72.26%	72.26%	72.26%	114.84%
Initial Disbursement Limit	\$163,801.95	\$163,801.95	\$163,801.95	\$125,300.00
% of Principal Limit	82.26%	82.26%	82.26%	100.00%
- Additional Tax and Insurance Set Aside	\$0.00	\$0.00	\$0.00	\$0.00

Initial Loan Balance

The initial loan balance, or the unpaid principal balance (UPB) displays here as both a specific amount, and as a percentage.

If the loan is a fixed rate HECM loan the Single Disbursement Lump Sum option is the only option available for loan proceeds. With a fixed rate HECM loan the borrower takes the lump sum at closing, or within the first 12 months, but cannot withdraw the remaining balance after 12 months. If they do not withdraw those funds, they lose them.

This unavailable Principal Limit displays on the last line of the Comparison screen. This is the amount the borrower leaves on the table that WILL NOT be available for the future.

Available Monthly Tenure Payment	\$328.04	\$328.04	N/A	N/A
Monthly Payment Request	\$0.00	\$0.00	N/A	N/A
Initial Loan Balance	\$163,801.95	\$143,886.95	\$163,801.95	\$125,300.00
Unavailable Principal Limit	\$0.00	\$0.00	\$35,348.05	\$0.00

The above numbers are calculated based upon the specified interest rates and the estimated closing date noted above. Changes in interest rates and/or changes in actual closing dates may cause the amounts available to be higher or lower than stated.



Summary

Understanding the parts and numbers on the ReverseVision Comparison screen allows you to explain these numbers to your borrowers accurately and simply.

It's important that they understand all the numbers, and how they are calculated, so they can make informed decisions.

Take the time to understand these numbers and assure accuracy before you disclose the proposal or loan documents to your borrower. Take the time to explain the loan comparison to your borrower so everyone is on the same page regarding values, loan amounts, costs, fees, payoffs and limitations.

