



FARMERS INSURANCE  
FEDERAL CREDIT UNION



# Reverse Mortgage FAQs

## Q: What is a Home Equity Conversion Mortgage (HECM)?

**A:** The Home Equity Conversion Mortgage (HECM) is an FHA-insured reverse mortgage regulated by HUD (Department of Housing and Urban Development). It allows a homeowner to convert a portion of the equity in his/her home into tax free money. Unlike a traditional home equity loan, the borrower is not required to make regular mortgage repayments.

## Q: What are the advantages of a HECM reverse mortgage?

**A:** There are many advantages of a HECM reverse mortgage for example:

- No more monthly mortgage payments: You do not have to make any monthly mortgage payments to repay the loan, although you are required to pay your property taxes, homeowners insurance and any other property related charges for as long as you live at your home.
- Free you from existing mortgage: It pays off your existing loan by using the proceeds from the HECM loan. Your home does not have to be paid-in-full to obtain a HECM loan.
- Receive the money tax free. Use the money any way you wish.
- It's an insured non-recourse loan: No matter how much cash you have received during the course of the loan, you will never owe the lender more than the value of your home.

## Q: What is the minimum age requirement?

**A:** At least one borrower on title must be at least 62 years of age.

## Q: What is the role of the HUD counseling agency? Is it required?

**A:** HUD is monitoring your interest carefully. For that reason, HUD requires all HECM borrowers to receive counseling from a HUD-approved counseling agency.

## Q: Can I make mortgage payments? Is there any prepayment penalty?

**A:** Yes, you may make a full or partial repayment at anytime without any penalty.

## Q: What are the borrowers responsibilities?

**A:** The borrowers are responsible for continuing to pay their property taxes, homeowners insurance and any other property related charges and maintain the home in acceptable condition as your primary residence.

## Q: What if the loan balance becomes greater than the value of my home?

**A:** No matter how large the loan balance becomes, you have the right to continue to live in the house. The lender cannot take over your home as long as it is your principal residence and maintain your responsibilities. Besides, you will NEVER owe the lender more than the value of your home. HUD will pay the shortage for you, if there is any.

**Q: What happens if I die? Will the lender be taking my house?**

**A:** No. After you pass away, your heirs may pay the loan balance in full with cash or by refinancing the debt and they can keep your home. If the balance exceeds the home's value, your heirs can re-purchase the home at 95% LTV of the home's value, HUD insurance will pay the difference.

**Q: What happens if I move out of my home?**

**A:** The HECM loan becomes due and payable as soon as your home is no longer your principal residence.

**Q: Are there other situations in which my loan will become due and payable?**

**A:** Yes. Three of the other situations in which the HECM loan may become due and payable are:

- You fail to pay real estate tax or homeowners insurance.
- You fail to maintain your home in acceptable condition.
- You alter the title of the property part or in full during the loan.

**Q: Is there a time limit for my heirs to liquidate my home and payoff the lender after I die?**

**A:** The lender will provide your heirs six months to one year to sell the home, refinance or pay off the loan as long as they are making a good faith effort to do so.

**Q: How is the lender paid?**

**A:** The lender is paid at the time when the loan becomes due and payable, for example, when you sell your home. The lender will receive a payment from your heirs or the sale proceeds of your home.

**Q: How much will be owed when the loan is due and payable?**

**A:** The total loan balance will include all of the payments to you, the accrued interest, accrued mortgage insurance premiums, servicing fee, and other costs such as closing costs or repair fees financed as part of the loan balance. Note that the repayment amount will never exceed the appraised value of your home when your loan becomes due. Even if the value has declined, it's insured.

**Q: How do I get started? What can I expect?**

**A:** Simply apply online through Farmers Insurance Federal Credit Union's website and complete a "Home Loan Inquire form". Our mortgage company, Community Mortgage Funding will contact you. Members can expect to receive a free Reverse Mortgage Proposal tailored to you. The proposal will give you an estimated breakdown of the loan proceeds, cost and options. Your credit report will not be run in order to obtain this report nor will we need any personal information. [www.figfcu.org/mortgage](http://www.figfcu.org/mortgage)

## Working Together For You...

**FIGFCU** and **CMF** will work closely together to ensure you have a prompt, seamless and excellent experience with attentive service.

Farmers Insurance Federal Credit Union **800.877.2345**

Community Mortgage Funding **877.915.3030**

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