Understanding

Financial Assessment

Are you financially prepared for a reverse mortgage?

Assessing Capacity

What?

A review of your income, such as Social Security, pensions and investments, in comparison with your debts and expenses.

Why?

To make sure you can afford to pay your homeowner's insurance, real estate taxes and maintain a reasonable standard of living for the life of your reverse mortgage loan.

Assessing Willingness

What?

A review of your property tax payment and credit histories.

Why?

To check the timeliness of your payment history for property taxes, housing, plus installment and revolving debt, and for any negative marks on your credit report.

Credit or income problems?

They may not disqualify you from a reverse mortgage.

Your lender will take extenuating circumstances and compensating factors into account.

Extenuating circumstances:

Events outside your control that affected your ability to pay your bills on time.

Compensating factors:

Additional income sources, such as spousal income, overtime, bonuses, commissions, retirement or savings accounts and a reverse mortgage line of credit.

Creating a Set-Aside

Borrowers who fail either the capacity or willingness tests will have a portion of the reverse mortgage set aside to pay for taxes and insurance on the home for the life of the loan.

Life Expectancy Set-Aside (LESA):

Funds that are placed in reserve from the reverse mortgage to pay the borrower's property taxes and homeowner's insurance for the life of the loan.

Borrowers who pass the capacity and willingness tests won't have a set-aside.

Financial Assessment: Complete!

Proceed with confidence, knowing you can afford a reverse mortgage and pay your property taxes and homeowner's insurance on time!

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