

Reverse Mortgage Acronyms and Jargon

Most commonly used terms in the industry.

ACRONYMS

<p>AMC Appraisal Management Company</p> <p>AVM Automated Valuation Model</p> <p>CFPB Consumer Financial Protection Bureau</p>	<p>FA Financial Assessment</p> <p>H4P HECM For Purchase</p> <p>HERA Housing and Economic Recovery Act</p> <p>IMIP Initial Mortgage Insurance Premium</p>	<p>LESA Life Expectancy Set Aside</p> <p>LOS Loan Origination System</p> <p>LTV Loan To Value</p> <p>NHA National Housing Act</p>	<p>NRMLA National Reverse Mortgage Lenders Association</p> <p>PLF Principal Limit Factors</p> <p>SSI Social Security Income</p>
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JARGON

Appraisal A report that states an opinion on the value of a property based upon its characteristics and the selling price of similar properties in the area.

Counseling Mandatory requirement for the HECM program. This service is provided by an independent third-party, typically approved by HUD, to ensure that the borrower fully understands the reverse mortgage and reviews alternative options prior to application.

Fannie Mae 1009 Residential Loan Application for Reverse Mortgages.

Federal Housing Administration (FHA) – FHA is a United States government agency that insures loans made by banks and private lenders.

Housing and Urban Development (HUD) HUD is a United States government agency that regulates the reverse mortgage industry.

Max Claim Amount (MCA) The amount is used in determining the principal limit. The MCA is determined by whichever is lesser of either the home’s appraised value or the maximum lending limit set by FHA.

Mortgage Insurance Premium (MIP) The amount that a borrower pays to FHA towards a reverse mortgage loan’s insurance. This insurance serves to protect both the borrower and the lender. The MIP guarantees that if the lender goes out of business, FHA will step in and ensure the borrower has continued access to his or her loan funds. The MIP further guarantees that when the property is sold to pay back the reverse mortgage, the borrower will never owe more than the value of the home.

Non-Recourse Loan A feature that limits the amount owed by the borrower, heirs or estate when the loan becomes due and payable to the appraised home value. This only applies when the home is sold on a HECM.

Origination Fee A fee charged by the lender to cover its expenses for originating the loan.

Owner’s Policy This policy is purchased for a one-time fee and protects a homeowner’s investment in a property for as long as they or their heirs have an interest in the property.

Power of Attorney A legal instrument authorizing one to act as another’s agent or attorney.

Preliminary Title Report A report prepared prior to issuing a title insurance policy that shows the ownership of a specific parcel of land. It includes information about liens and encumbrances that will not be covered under a title insurance policy.

Prepayment Penalty With a HECM, there is no penalty for paying all or a portion of the loan prematurely.

Principal Limit (PL) Total loan proceeds available at closing.

Recordation Tax A special assessment for recording a mortgage lien. The tax is typically paid at closing by the borrower and only applies to certain states.

Reverse Mortgage (RM) also known as Home Equity Conversion Mortgage (HECM) A type of home loan for older homeowners that requires no monthly mortgage payments. Borrowers are still responsible for property taxes and homeowner’s insurance.

Servicing Set Aside Amount of funds estimated at closing that will be needed to service the reverse mortgage over the projected life of the loan. These funds are deducted from the initial principal limit and automatically paid each month to the loan servicer.

Title Commitment An offer to issue a title insurance policy. The title commitment will describe various conditions, exclusions and exceptions that will apply to that particular policy.

Title Insurance A type of insurance policy that protects a homeowner or **lender*** against financial loss from effects in title to real property and from the invalidity or unenforceability of mortgage liens. The cost of the policy is typically paid at closing by the borrower. **We provide lenders coverage.*

Title Search A careful exploration and inspection of the public records in an effort to find all recorded instruments relating to a particular chain of title.

Vesting When a title deed is written for real property, ownership is described using the name of the owner(s), and often a phrase which describes the legal relationship between multiple owners or married persons.