



Intro to Reverse Mortgages

Attorneys' Title Fund Services, Inc.

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Intro to Reverse Mortgages

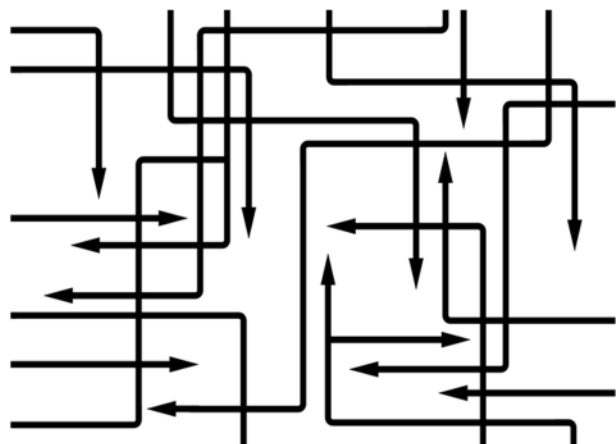


Presented by: John B. "Jay" St. Lawrence,
Fund Education Attorney
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Overview

- Definition and History
- Comparison to Traditional
- Requirements
- How do they work?
- Purchase Money Reverse Mortgages
- Two Notes; Two Mortgages
- Closing Cost Concerns
- What Can Go Wrong?
- Who's the "Borrower?"
- Insuring Reverse Mortgages
- Satisfying Reverse Mortgages



What is a Reverse Mortgage?



Brief History of Reverse Mortgages

- 1961 Conceived to help the widowed wife of a banker's high school football coach in Portland, ME
- 1988 HUD authorized to insure reverse mortgages through FHA
- 1998 HUD Appropriations Act funds consumer safeguards like counseling and fee disclosure
- 2000 HUD increases origination fees to 2% Maximum Claim Amount or \$2,000
- 2004 FHA implements rules for Home Equity Conversion Mortgage (HECM) refinancing
- 2006 HECM limit of \$417,000 established
- 2009 HECM for Purchase introduced; loan limit raised to \$625,000
- 2021 HECM limit increased to \$822,375 through Dec. 31, 2021



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How Does a Reverse Mortgage Differ from Traditional Mortgages?

Traditional “Forward” Mortgage

- Terms based on creditworthiness; ability to repay
- Borrowers receive all loan proceeds up front
- Loan balance decreases over time
- Loan balance due on set maturity date
- May be “recourse” (allow deficiency judgment)



Reverse Mortgage

- Terms based solely on home equity
 - Borrowers receive ongoing disbursements*
 - Loan balance increases over time
 - Loan balance due when
 - Borrower dies
 - Moves away permanently, or
 - Sells the home
 - Non-recourse (liability limited to value of collateral)
- *can also be lump sum or home equity line



Who Qualifies for a Reverse Mortgage?



FHA HECM Reverse Mortgage Requirements

Borrower must

- Be 62 years of age or older
- Own the property outright or have a small mortgage balance
- Occupy the property as their principal residence
- Not be delinquent on any federal debt
- Participate in a consumer information session given by an approved HECM counselor



FHA HECM Reverse Mortgage Requirements

Property must

- Meet FHA property eligibility standards and flood requirements and be a
 - Single family home or 1-4 unit home with one unit occupied by the borrower
 - HUD approved condominium or
 - Manufactured home that meets FHA requirements



CFPB Rules

- Reverse mortgages not covered by TRID
- HUD-1 instead of Closing Disclosure
- Still covered by Reg. Z
 - 12 CFR Sec. 1026.33 Requirements for reverse mortgages
 - Defines reverse mortgage
 - Nonrecourse consumer credit obligation in which
 - Consensual mortgage or deed of trust secures consumer's principal dwelling
 - Principal, interest, etc. due only after default or
 - Consumer dies;
 - Dwelling transferred; or
 - Consumer ceases to occupy as principal dwelling
 - Spells out required disclosures



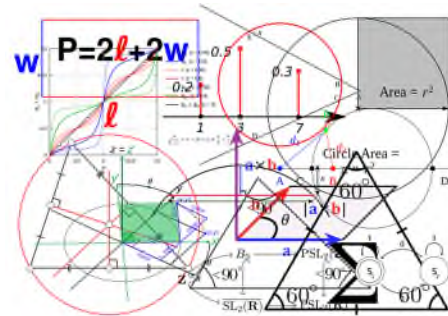
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How Do Reverse Mortgages Work?



How Do Reverse Mortgages Work?

- Loan amount formulated based on
 - Borrower's age
 - Value of home
 - Current interest rate
 - Oldest borrowers with most expensive homes offered the largest loans



How Do Reverse Mortgages Work?

- Marketed to seniors as way to turn “untapped” home equity into income
- Most are FHA HUD Home Equity Conversion Mortgages
- Some are non-FHA proprietary “Jumbo” reverse mortgages
- Mortgage loans based solely on home equity
- Credit and ability to repay not considered



How Do Reverse Mortgages Work?

- Stream of payments “reversed”
 - Lender sends payments to borrower
 - Monthly, lump sum, equity line, or combination
- Can also be used for refinance and purchase
- Balance increases over time
- Payments are loan advances
 - Function like “tax free income”
 - Can be used for anything



“Maximum Claim Amount”

- Maximum claim amount (MCA) is the highest amount FHA will insure on a reverse mortgage
 - Defined as the lesser of
 - Fair market value of the home, or
 - FHA insuring limit
- FHA limit in 2021: \$822,375
 - Typically increased every year to allow for inflation
 - Ex) 2021 limit increased from 2020 maximum of \$765,600
 - Current HECM regs don’t allow HECM limit to vary by MSA or county instead
 - Single HECM limit applies to all HECMs regardless of where the property is located
- If borrower’s house worth more than the MCA, amount above limit not be eligible for HECM
 - Still could pursue non-FHA “Jumbo reverse”

Purchase Money Reverse Mortgages



Purchase Money Reverse Mortgages

Similar basic requirements

- 62 or older
- Reverse mortgage counseling with an independent counseling agency
- Financial assessment showing ability to pay property taxes and homeowners insurance
- New home must be primary residence
 - Must occupy within 60 days of closing
- Substantial down payment
 - Generally 45-62%
 - Difference between the HECM proceeds and
 - Sales price plus closing costs
- No monthly payment
- Often sold as a way to move closer to family or new home near retirement



Purchase Money Reverse Mortgages

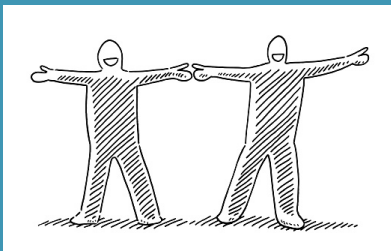
Example

- Clients decide to relocate and downsize
- Sell free and clear home for \$400,000
- Want to buy new home for \$300,000
- Could pay all cash
 - Would have \$100,000 to put in the bank, OR
- Could buy with reverse mortgage for \$100,000 down
 - Would have \$200,000 to put in bank
 - No monthly payment



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Two Notes; Two Mortgages



HUD Requires 2 Mortgages; 2 Notes

HUD Directive 4235.1 ("HECM Handbook") REV-1

1st Mortgage and Note

- Lender must provide copy of 1st mortgage and 1st note for borrower review during application process
 - Not later than when the borrower signs the URLA (Universal Residential Loan Application)

2nd Mortgage and Note

- Default of lender, not borrower, secured
- Lender must complete a 2nd mortgage and 2nd note to secure any payments which HUD may make to borrower if lender fails to make payments under Loan Agreement
- Copy of 2nd mortgage and 2nd note need not be provided to borrower during application process
- But relationship to the 1st mortgage and 1st note should be fully explained



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Closing Cost Concerns



HUD Closing Costs Rules

FHA Mortgage Insurance Premium

- Guarantees loan advances
- Can be financed as part of loan

Origination Fee

- Lender can charge the greater of \$2,500 or 2% of the first \$200,000 of home's value
- Plus 1% of the amount over \$200,000
- HECM origination fees are capped at \$6,000

Servicing Fee

- Lenders limited to \$30 monthly fee if loan for yearly adjustable or fixed interest rate
- \$35 limit if interest rate adjusts monthly

https://www.hud.gov/program_offices/housing/sfh/hecm/hecmabou

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Doc Stamps

Are reverse mortgages subject to documentary stamp tax?

Yes, documentary stamp tax applies to the maximum amount evidenced in the mortgage.

To learn more about Florida documentary stamp tax, visit the Department's [Florida Documentary Stamp Tax](#) webpage.

Category: General Tax

Sub-Category: Documentary Stamp Tax

<https://floridarevenue.com/faq>

BUT ...



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HUD Rules

HUD Directive 4235.1 ("HECM Handbook") REV-1

- Where State law requires mortgage reflect a max amount, lender must use 150% of max claim amount
- Required b/c loan payments set by current value of the house and any possible appreciation in value
- Amount intended to protect borrower in later years of the mortgage
- When max mortgage amount stated in mortgage, lender not secured for payments to borrower beyond stated amount
- If mortgage balance reaches max amount, payments to borrower cease or
 - Borrower can try to extend mortgage
 - May not be possible if property value has declined or other liens on property
 - Both risks reduced by a higher initial maximum mortgage amount

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Doc Stamps and Intangible Taxes

HUD requires lenders use 150% of max claim amount as mortgage or "deeded" amount

- Doc stamps at 3.5 mil (\$0.35/\$100) on 150% of reverse mortgage max claim amount
- Intangible Tax at 2.0 mil (\$0.20/\$100) on 150% of max claim amount



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What Can Go Wrong?



Criticisms of Reverse Mortgages

Others living in home may be displaced

- Non-borrowing spouse, family, roommates may have to leave
 - If borrower vacates for more than 12 consecutive months
 - If borrower deceases



General Costs

- Proceeds may not meet taxes, insurance, and maintenance required to keep reverse mortgage

Medical Situations

- Bills may absorb more than reverse mortgage pays
- Move to care facility can trigger demand

Loss of Inheritance

- Heirs or estate must pay off reverse mortgage at borrower's death
- If property sold, only excess proceeds to heirs
- May be no equity remaining in property to inherit

Fraud



Reverse Mortgage Fraud

Purchase Money Scams

- Developer converts modest apartments in ill repair into “condominiums”
- Obtains inflated appraisals
- Offers people of qualifying age “free” units if they apply for reverse PMM
- Unable to pay fees for maintenance, etc., “buyers” soon evicted
 - See, e.g., “[Back Away from Reverse Mortgage Fraud](#)” 41 *Fund Concept* 41 (May 2009)

Home Repair Scams

- Contractors suggesting a reverse mortgage to pay for home repairs

Targeting Veterans

- Loan ads may use the idea of “VA” reverse mortgages to entice veterans
- Department of Veterans Affairs does not have a reverse mortgage program
 - <https://www.consumerfinance.gov/ask-cfpb/what-is-a-reverse-mortgage-en-224/>

Reverse Mortgage Fraud Protections

- 3-day right of rescission
 - Applies to FHA HECM mortgages only
 - 3 business days after the loan closing to cancel
 - For any reason
 - No penalty
 - Borrower(s) must notify lender in writing
- Lender has 20 days to return amounts paid for financing reverse mortgage
- Sec. 825.103, F.S. criminalizes exploiting the elderly (60 or older)
 - Over \$50,000 = 1st degree felony



Does Federal Limitation on Insuring Reverse Mortgages Protect Non-Borrowing Spouses?



Protection for Spouses ... Maybe?

12 U.S.C. Sec. 1715z-20 Insurance of home equity conversion mortgages for elderly homeowners (j) SAFEGUARD TO PREVENT DISPLACEMENT OF HOMEOWNER

The Secretary may not insure a home equity conversion mortgage under this section unless such mortgage provides that the homeowner's obligation to satisfy the loan obligation is deferred until the homeowner's death, the sale of the home, or the occurrence of other events specified in regulations of the Secretary. For purposes of this subsection, the term "homeowner" includes the spouse of a homeowner. Section 1647(b) of title 15 and any implementing regulations issued by the Board of Governors of the Federal Reserve System shall not apply to a mortgage insured under this section.



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Impact of Federal Insurance Requirement

Estate of Jones v. Live Well Fin., Inc., 902 F.3d 1337 (11th Cir. 2018)

- 2014 Caldwell Jones obtains reverse mortgage on home shared w/wife and minor daughter
- Covered by HUD/FHA mortgage insurance program
- Mortgage denotes "Borrower" as "Caldwell Jones, Jr., a married man"
- Jones deceases same year. Lender asserts right to full payment under mtg. terms where
 - Borrower dies and
 - Property not principal residence of at least one surviving borrower
- Lender not paid; initiates non-judicial foreclosure



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Impact of Federal Insurance Requirement

Estate of Jones v. Live Well Fin., Inc., 902 F.3d 1337 (11th Cir. 2018)

- Widow Vanessa and estate file petition arguing 12 U.S.C. Sec. 1715z-20(j) prohibits foreclosure even though she is not a “borrower”
- Trial court grants TRO enjoining foreclosure
- Lender removes to federal court and moves to dismiss petition
- District court grants dismissal, concluding statute addresses only HUD authority to insure
- 11th Circuit agrees with lender finding:
 - While Congress likely intended to protect non-borrower spouses with Sec. 1715z-20(j)
 - Does not alter or affect enforceability of mortgage contract or its terms
 - Last-minute argument maybe Vanessa actually was a borrower rejected

Who is “a Borrower?”



Only “Borrowers” Protected

- Frequent issue is whether the bank can foreclose when one spouse deceases
- Borrowers likely intend no demand/foreclosure while either still alive
- Lenders frequently have one spouse “borrow” and demand payment on their demise
- Typical terms bar demand if property principal residence of “surviving borrower”



Who is a “Borrower?”

- Questions arise when only one spouse signs the note
 - Often both spouses sign mortgage regardless
 - FL homestead protections may require both sign mortgage
- Other documents may conflict
 - “Non-Borrowing Spouse Ownership Interest Certification”
 - Non-borrowing spouse agrees to make payment on death of borrowing spouse
 - But surviving spouses claim surprise when lender comes to collect/foreclose



Who is a “Borrower?”

WVMF Funding v. Palmero, 46 Fla. L. Weekly S195a 7 (Fla. 2021)

- Roberto and Luisa Palmero apply for reverse mortgage; first together, then w/only Roberto as borrower
- Loan app, HECM loan agreement and note identify Roberto as sole borrower; he signs alone
- Both sign “Non-borrower spouse ownership interest certification” identifying Roberto as borrower
- Both sign reverse mortgage above “Borrower accepts and agrees ...”
- On Roberto’s death, estate does not pay and lender begins foreclosure
- Luisa defends based on mtg and note barring foreclosure if principal residence of living co-borrower



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Who is a “Borrower?”

WVMF Funding v. Palmero, 46 Fla. L. Weekly S195a 7 (Fla. 2021)

- Trial court finds Luisa not co-borrower, but denies foreclosure based on 12 U.S.C. Sec. 1715z-20
 - Recall: HUD may not insure unless satisfaction deferred until “homeowner” dies
 - “Homeowner” defined as including spouse of homeowner
- On appeal, 3d DCA reversed as to Sec. 1715z-20, but found Luisa co-borrower based on mortgage
 - Citing two similar cases it decided in 2016
 - *Smith v. Reverse Mortgage Solutions, Inc.*, 200 So. 3d 221 (Fla. 3d DCA 2016);
 - *Edwards v. Reverse Mortgage Solutions, Inc.*, 187 So. 3d 895 (Fla. 3d DCA 2016)
- FL Supreme Court quashes with mandate for further proceedings, holding
 - Note and mortgage must be read together and
 - If note and mortgage are in conflict, note prevails
 - Does not reach Sec. 1715z question, but observes *Estate of Jones* decision in footnote
 - Recall: *Jones*: Insurance rule does not impact terms of reverse mortgage

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FHA Deferment Program

OFFICE OF SINGLE FAMILY HOUSING
FEDERAL HOUSING ADMINISTRATION

Prepare for the future

When you got your reverse mortgage, also known as a Home Equity Conversion Mortgage (HECM), your spouse may not have been included on the application or legal documents. In the case of your death or failure to occupy the home for 12 consecutive months (including a stay in a medical or nursing facility), your reverse mortgage may become due and payable. If your spouse was not on the original application, he/she will be unable to withdraw additional funds and will be required to repay the amount borrowed, which might result in foreclosure.

Know your options

Your HECM is insured by the Federal Housing Administration (FHA), a division of the Department of Housing and Urban Development (HUD). Recent changes have been made to ensure that in the event of your death or incapacity, your spouse may be able, under certain conditions, to defer repayment and remain in the property. The spouse must obtain title to the home and continue to reside there; all property charges, taxes, and insurance must be kept current; and the property must be adequately maintained. Other changes facilitate the satisfaction of the reverse mortgage, or sale of the property by your spouse, heir(s), or estate.

What you can do

Contact your reverse mortgage lender to determine if your spouse will be eligible for deferment, and to discuss the requirements and other options.

You may also contact a HUD-approved housing counselor in your area; locate one at:

www.hudexchange.info/programs/housing-counseling/customer-service-feedback/.

To contact FHA directly, email answers@hud.gov, or telephone (800) CALL FHA (225-5342) during business hours.

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Insuring Reverse Mortgages



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Insuring Reverse Mortgages

MTG31

Reverse Mortgage C0394 / ML-13

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When insuring reverse mortgages, the HUD directive is to issue the policy for the "maximum claim amount" not the mortgage amount. Because of that disparity, the following exception should be inserted on loan policies insuring reverse mortgages:

Notwithstanding the face amount of the mortgage insured herein, as instructed by HUD Directive 4235.1 REV-1, and closing instructions provided by ____, the coverage provided under this policy is limited to the amount of money actually disbursed or accrued under the mortgage insured herein and shall be no greater than \$ ____.



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Reverse Mortgage Endorsement



ALTA ENDORSEMENT 14.3-06 FUTURE ADVANCE - REVERSE MORTGAGE
(With Florida Modifications)
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

Endorsement No. ____ To Policy No. ____

1. The insurance for Advances added by Sections 2 and 3 of this endorsement is subject to the exclusions in Section 4 of this endorsement and the Exclusions in the Policy, except Exclusion 3(d), the provisions of the Conditions and the exceptions contained in Schedule B.

a. "Agreement," as used in this endorsement, shall mean the note or loan agreement, repayment of Advances under which is secured by the Insured Mortgage.

b. "Advance," as used in this endorsement, shall mean only an advance of principal made after the Date of Policy as provided in the Agreement, including expenses of foreclosure, amounts advanced pursuant to the Insured Mortgage to pay taxes and insurance, assure compliance with laws, or to protect the lien of the Insured Mortgage before the time of acquisition of the Title, and reasonable amounts expended to prevent deterioration of improvements, together with interest on these advances.

c. "Changes in the rate of interest," as used in this endorsement, shall mean only those changes in the rate of interest calculated pursuant to a formula provided in the Insured Mortgage or the Agreement at Date of Policy.

2. The Company insures against loss or damage sustained by the Insured by reason of:

a. The invalidity or unenforceability of the lien of the Insured Mortgage as security for each Advance.

b. The lack of priority of the lien of the Insured Mortgage as security for each Advance over any lien or encumbrance on the Title.

c. The invalidity or unenforceability or lack of priority of the lien of the Insured Mortgage as security for the Indebtedness, Advances and unpaid interest resulting from (i) no Advances and repayments of Indebtedness, (ii) earlier periods of no Indebtedness owing during the term of the Insured Mortgage, or (iii) the Insured Mortgage not complying with the requirements of state law of the state in which the Land is located to secure Advances, (iv) failure of the Insured Mortgage to state the term for Advances, or (v) failure of the Insured Mortgage to state the maximum amount secured by the Insured Mortgage.

d. The invalidity or unenforceability of the lien of the Insured Mortgage because of the failure of the mortgages to be at least 62 years of age at Date of Policy.

3. The Company also insures against loss or damage sustained by the Insured by reason of:

a. The invalidity or unenforceability of the lien of the Insured Mortgage resulting from any provisions of the Agreement that provide for (i) interest on interest, (ii) changes in the rate of interest, or (iii) the addition of unpaid interest to the principal portion of the Indebtedness.

b. Lack of priority of the lien of the Insured Mortgage as security for the Indebtedness, including any unpaid interest that was added to principal in accordance with any provisions of the Agreement, interest on interest, or interest as changed in accordance with the provisions of the Insured Mortgage which lack of priority is caused by (i) changes in the rate of interest, (ii) interest on interest, or (iii) increases in the Indebtedness resulting from the addition of unpaid interest.

"Interest," as used in this paragraph 3, shall include lawful interest based on appreciated value.

4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:

a. The invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as security for any:

(i) Advance made after a Petition for Relief under the Bankruptcy Code (11 U.S.C.) has been filed by or on behalf of the mortgagee; or

(ii) Advance made subsequent to 20 years after the date of the Insured Mortgage or after a notice has been recorded in the Public Records limiting the maximum principal amount that may be secured to the extent the advance causes the outstanding principal balance to exceed the amount stated in the notice if the Insured Mortgage does not qualify as a "home equity conversion mortgage" or second mortgage held by the Secretary of Housing and Urban Development under the National Housing Act.

b. The lien of real estate taxes or assessments on the Title imposed by governmental authority arising after Date of Policy.

c. The lack of priority of the lien of the Insured Mortgage as security for any Advance to a federal tax lien, which Advance is made after the earlier of (i) actual knowledge of the Insured that a federal tax lien was filed against the mortgage, or (ii) the expiration, after notice of a federal tax lien filed against the mortgage, of any grace period for making disbursements with priority over the federal tax lien provided in the Internal Revenue Code (26 U.S.C.).

d. Any federal or state environmental protection lien, or

e. Unlawful or any consumer credit protection or truth-in-lending law.

5. The Indebtedness includes Advances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Name of Agent

Agent No.

Agent's Signature

By **Carolyn Monroe**
President

ALTA Endorsement 14.3-06 Future Advance - Reverse Mortgage (02/11) (Florida Modified) (rev. 12/01/13)

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Reverse Mortgage Endorsement

2. The Company insures against loss or damage sustained by the Insured by reason of:
 - a. The invalidity or unenforceability of the lien of the Insured Mortgage as security for each Advance.
 - b. The lack of priority of the lien of the Insured Mortgage as security for each Advance over any lien or encumbrance on the Title.
 - c. The invalidity or unenforceability or lack of priority of the lien of the Insured Mortgage as security for the Indebtedness, Advances and unpaid interest resulting from (i) re-Advances and repayments of Indebtedness, (ii) earlier periods of no Indebtedness owing during the term of the Insured Mortgage, or (iii) the Insured Mortgage not complying with the requirements of state law of the state in which the Land is located to secure Advances, (iv) failure of the Insured Mortgage to state the term for Advances, or (v) failure of the Insured Mortgage to state the maximum amount secured by the Insured Mortgage.
 - d. The invalidity or unenforceability of the lien of the Insured Mortgage because of the failure of the mortgagors to be at least 62 years of age at Date of Policy.

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Reverse Mortgage Endorsement

3. The Company also insures against loss or damage sustained by the Insured by reason of:
 - a. The invalidity or unenforceability of the lien of the Insured Mortgage resulting from any provisions of the Agreement that provide for (i) interest on interest, (ii) changes in the rate of interest, or (iii) the addition of unpaid interest to the principal portion of the Indebtedness.
 - b. Lack of priority of the lien of the Insured Mortgage as security for the Indebtedness, including any unpaid interest that was added to principal in accordance with any provisions of the Agreement, interest on interest, or interest as changed in accordance with the provisions of the Insured Mortgage, which lack of priority is caused by (i) changes in the rate of interest, (ii) interest on interest, or (iii) increases in the Indebtedness resulting from the addition of unpaid interest.

"Interest," as used in this paragraph 3, shall include lawful interest based on appreciated value.

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Reverse Mortgage Endorsement

4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
- a. The invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as security for any:
 - (i) Advance made after a Petition for Relief under the Bankruptcy Code (11 U.S.C.) has been filed by or on behalf of the mortgagor; or
 - (ii) Advance made subsequent to 20 years after the date of the Insured Mortgage or after a notice has been recorded in the Public Records limiting the maximum principal amount that may be secured to the extent the advance causes the outstanding principal balance to exceed the amount stated in the notice if the Insured Mortgage does not qualify as a "home equity conversion mortgage" or second mortgage held by the Secretary of Housing and Urban Development under the National Housing Act.
 - b. The lien of real estate taxes or assessments on the Title imposed by governmental authority arising after Date of Policy;
 - c. The lack of priority of the lien of the Insured Mortgage as security for any Advance to a federal tax lien, which Advance is made after the earlier of (i) actual knowledge of the Insured that a federal tax lien was filed against the mortgagor, or (ii) the expiration, after notice of a federal tax lien filed against the mortgagor, of any grace period for making disbursements with priority over the federal tax lien provided in the Internal Revenue Code (26 U. S. C.);
 - d. Any federal or state environmental protection lien; or
 - e. Usury, or any consumer credit protection or truth-in-lending law.
5. The Indebtedness includes Advances.

Satisfying Reverse Mortgages



Satisfying a Reverse Mortgage

HUD HECM Note:

- Non-recourse only (no personal liability)
- No deficiency judgment

4. MANNER OF PAYMENT

- (A) Time. Borrower shall pay all outstanding principal and accrued interest to Lender upon receipt of a notice by Lender requiring immediate payment in full, as provided in Paragraph 6 of this Note.
- (B) Place. Payment shall be made at _____ or at such other place as Lender may designate in writing by notice to Borrower.
- (C) Limitation of Liability. Borrower shall have no personal liability for payment of this Note. Lender shall enforce the debt only through sale of the Property. If the Note is assigned to the Secretary, the Borrower shall not be liable for any difference between the mortgage insurance benefits paid to Lender and the outstanding indebtedness, including accrued interest, owed by Borrower at the time of the assignment.

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Satisfying a Reverse Mortgage

HUD HECM Deed of Trust (mortgage)

- No deficiency judgments

11. No Deficiency Judgments. Borrower shall have no personal liability for payment of the debt secured by this Security Instrument. Lender may enforce the debt only through sale of the Property. Lender shall not be permitted to obtain a deficiency judgment against Borrower if the Security Instrument is foreclosed. If this Security Instrument is assigned to the Secretary upon demand by the Secretary, Borrower shall not be liable for any difference between the mortgage insurance benefits paid to Lender and the outstanding indebtedness, including accrued interest, owed by Borrower at the time of the assignment.

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Satisfying a Reverse Mortgage

HUD HECM Manual:

- Payoff by borrower or estate is lesser of mortgage balance or sale proceeds
 - So long as property sold for at least 95% of fair market value

J. When the mortgage becomes due and payable,

1) The borrower or his or her estate will pay:

a. An amount equal to the lesser of the mortgage balance or the sales proceeds, if the property is sold by the borrower or his or her estate for at least 95% of the fair market value of the property.

b. The outstanding balance will include an amount equal to the lender's share of any appreciation in the property's value, if the mortgage has a shared appreciation agreement.

2) Otherwise, the lender will recapture the mortgage proceeds from the acquisition and sale of the property.

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Satisfying a Reverse Mortgage

MTG49

Satisfaction of Reverse (Home Equity Conversion) Mortgage C0929 / GR-3.9.5



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If a reverse mortgage is to be paid off at closing make the following requirement:

Record satisfaction of the reverse mortgage in favor of ____ recorded in ____, Public Records of ____ County, Florida.

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Satisfying a Reverse Mortgage

MTG49

Satisfaction of Reverse (Home Equity Conversion) Mortgage C0929 / GR-3.9.5

1. Prior to closing: send estoppel request to lender with written authorization by the borrower advising of pending transaction and requesting lender to freeze the account; verify the amount outstanding on the day of closing; and obtain new estoppel if the outstanding amount is different from original estoppel.
2. Obtain affidavit from mortgagor(s) referencing the loan number and the payoff remittance amount, and affirming that: (i) the account is to be closed; (ii) mortgagors have made no advances or withdrawals of funds within 30 days prior to the closing, and mortgagors will not request any advances or withdrawals of funds; and (iii) all checks, credit and/or ATM cards or other credit devices for the account were surrendered to the closing agent or destroyed. In addition, obtain certificate of indebtedness from HUD confirming no monies due to HUD.
3. Send the payoff check or proof of wire with seller's instructions to close the account to the lender with a demand for the Satisfaction of Mortgage.

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Additional Resources

- U.S. Department of Housing and Urban Development
 - https://www.hud.gov/program_offices/housing/sfh/hecm/hecmhome
- Benefits.gov HECM page
 - <https://www.benefits.gov/benefit/>
- Florida Attorney General
 - <http://myfloridalegal.com/pages.nsf/Main/D1AAA5165C9AEF8385257F77004BE169>
- HUD HECM Handbook and sample docs
 - https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgh/4235.1
 - https://www.hud.gov/program_offices/housing/sfh/model_documents
- Fund Concept articles
 - ["Reverse Mortgages"](#) 35 Fund Concept 37 (April 2005)
 - ["Back Away from Reverse Mortgage Fraud"](#) 41 Fund Concept 41 (May 2009)
 - ["Reverse Mortgages Revisited"](#) 85 Fund Concept 41 (Nov. 2009)

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Intro to Reverse Mortgages



Thank You!
for coming

Presented by: John B. "Jay" St. Lawrence,
Fund Education Attorney
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Title: Intro to Reverse Mortgages

Level: Intermediate

Approval Period: 11/01/2024 - 05/31/2026

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