

IMPORTANT NOTICE TO REVERSE MORTGAGE LOAN APPLICANT

A REVERSE MORTGAGE IS A COMPLEX FINANCIAL TRANSACTION. IF YOU DECIDE TO OBTAIN A REVERSE MORTGAGE LOAN, YOU WILL SIGN BINDING LEGAL DOCUMENTS THAT WILL HAVE IMPORTANT LEGAL AND FINANCIAL IMPLICATIONS FOR YOU AND YOUR ESTATE. IT IS THEREFORE IMPORTANT TO UNDERSTAND THE TERMS OF THE REVERSE MORTGAGE AND ITS EFFECT ON YOUR IMMEDIATE FUTURE NEEDS. BEFORE ENTERING INTO THIS TRANSACTION, YOU ARE REQUIRED TO CONSULT WITH AN INDEPENDENT REVERSE MORTGAGE LOAN COUNSELOR TO DISCUSS WHETHER OR NOT A REVERSE MORTGAGE IS SUITABLE FOR YOU. A LIST OF APPROVED COUNSELORS WILL BE PROVIDED TO YOU BY THE LENDER.

SENIOR CITIZEN ADVOCACY GROUPS ADVISE AGAINST USING THE PROCEEDS OF A REVERSE MORTGAGE TO PURCHASE AN ANNUITY OR RELATED FINANCIAL PRODUCTS. IF YOU ARE CONSIDERING USING YOUR PROCEEDS FOR THIS PURPOSE, YOU SHOULD DISCUSS THE FINANCIAL IMPLICATIONS OF DOING SO WITH YOUR COUNSELOR AND FAMILY MEMBERS.

REVERSE MORTGAGE WORKSHEET GUIDE

You should discuss with the agency counselor the following issues:

- (A) How unexpected medical or other events that cause the prospective borrower to move out of the home, either permanently or for more than one year, earlier than anticipated will impact the total annual loan cost of the mortgage.
- (B) The extent to which the prospective borrower's financial needs would be better met by options other than a reverse mortgage, including, but not limited to, less costly home equity lines of credit, property tax deferral programs, or governmental aid programs.
- (C) Whether the prospective borrower intends to use the proceeds of the reverse mortgage to purchase an annuity or other insurance products and the consequences of doing so.
- (D) The effect of repayment of the loan on non-borrowing residents of the home after all borrowers have died or permanently left and that a 12-consecutive month absence by the borrower will cause the reverse mortgage loan to become due.
- (E) Reverse mortgages require three continuous obligations of the borrower: maintenance and repair of the home, payment of property taxes, and payment of property insurance premiums. A failure to do any of these items could lead to default on the reverse mortgage.

(F) The impact that the reverse mortgage may have on the prospective borrower's tax obligations, eligibility for government assistance programs, and the effect that losing equity in the home will have on the borrower's estate and heirs.

(G) The ability of the borrower to finance alternative living accommodations, such as assisted living or long-term care nursing home registry, after the borrower's equity is depleted.

(H) That a reverse mortgage is a compounding loan and that the debt may accelerate over time.

(I) The risks associated with using the proceeds of a reverse mortgage to purchase investment products.

This checklist must be signed by the agency counselor, if the counseling is done in person, and by the prospective borrower and returned to the lender along with the counseling certificate. The loan application cannot be approved until this signed reverse mortgage worksheet guide is provided to the lender.

I (We) have read and understood the IMPORTANT NOTICE TO REVERSE MORTGAGE LOAN APPLICANT above and discussed the REVERSE MORTGAGE WORKSHEET GUIDE items (A) through (I) with a HUD-approved reverse mortgage counselor. I (We) have been provided with a copy of the NOTICE and the WORKSHEET GUIDE.

Applicant 1:

Applicant 2:

Applicant 3:

Applicant 4:

HUD-Approved Reverse Mortgage Counselor:
(Signature required if counseling is done in person)

Counseling Session Date: _____

Addendum to List of HECM Counselors

(Pursuant to California Civil Code § 1923.2(k))

You have been provided a list of not fewer than ten housing counseling agencies approved by the United States Department of Housing and Urban Development to engage in reverse mortgage counseling, and you acknowledge that:

(1) A lender may not accept a final and complete application for a reverse mortgage from you or assess any fees upon you without first receiving certification that you have received counseling from an approved counseling agency.

(2) Reverse mortgage counseling is to be conducted in person, unless you elect to receive the counseling in another manner.

By checking an alternative below, I/We hereby elect to receive to counseling in a manner other than in person:

Telephone

Skype

Other _____

Homeowner (Borrower) Signature & Date

Homeowner (Co-Borrower) Signature & Date