

The 3 E's of Reverse Mortgages

Counseling is the bedrock of Reverse Mortgage Education

IRVINE, CA, UNITED STATES, December 1, 2020 /EINPresswire.com/ -- The 3 E's of [reverse mortgages](#) are Education, Education, Education.

Anyone obtaining a Housing and Urban Development (HUD) reverse mortgage (even a Jumbo or Conventional reverse mortgage) is required to meet with a third-party HUD approved Home Equity Conversion Mortgage (HECM) counselor. Counseling is the bedrock of the Education of a Reverse Mortgage Homeowner. The role of the counselor is to educate you about the features of reverse mortgages as well as the suitability of a reverse mortgage or other financial alternatives to a reverse mortgage. The counselor should not tell you whether to proceed with the reverse mortgage or which product to use but will provide guidance to help you make an informed decision for your situation.



Paul Scheper, CRMP, CSA, MBA

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Education is the most powerful weapon that people have in this world.”

Nelson Mandela

To prepare for the counseling session, HUD requires you are provided with an information packet prior to the counseling session. This packet contains important financial and informational documents. The National Counseling on Aging (NCOA) booklet, “Use Your Home To Stay at Home – A Guide for Homeowners Who Need Help Now” is a great packet to review before the counseling

takes place. The financial documents are key -- "know the numbers" by reviewing Loan Comparisons, Amortization Schedules, and TALC calculations (Total Annual Loan Calculations). These documents will show you what the costs are, and how the loan balance and credit line changes over time, if you decide to make a payment on a reverse mortgage or to just let the interest accrue for a delayed payment.

During the counseling session the counselor will explain the concepts of reverse mortgages and answer any questions you may have. It's not a quiz. It's just a conversation to make sure you know that the property taxes and insurance and association dues still need to be paid by the homeowner. They also clarify that this is not a free lunch, there are closing costs to obtain a reverse mortgage and interest needs to be paid (either at the end of the loan, or monthly, or whenever you feel like it).



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REVERSE MORTGAGES 101: *What is a Reverse Mortgage?*

Reverse Mortgage Counseling Explained

The counselor may not provide legal, financial or tax advice as they are not attorney's, financial advisors or tax advisors or CPAs.

During the counseling session the counselor will go over more things like:

1. Review your needs and circumstances as well as alternatives and options as available and appropriate.
2. Create a budget based on your income, assets, debt and expenses.
3. Discuss fraud prevention, i.e. how to avoid becoming victims of fraud schemes that happen on all loans, not just reverse mortgages.
4. Review the reverse mortgage information and details including reviewing the loan printouts of calculations comparing products, estimated amortization schedule, Total Annual Loan Cost (TALC), and HUD allowable fees. It is appropriate for the counselor to use the ones the originators provided to you.

Review your level of understanding of reverse mortgages including:

5. The basic mechanics, requirements, and implications. They want you to know that this is just a loan. And that the title, ownership, deed always remain with the senior homeowner, just like all loans. It is just a loan.
6. The impact on your personal financial situation of the particular loan you are interested.
7. Your responsibilities and requirements for residency. Basically, you need to live in the home.
8. Counselors are NOT allowed to steer you to or encourage or discourage any particular product. Their role is to explain and discuss the printouts and information without bias.

Additionally counselors are NOT permitted to promote, represent, recommend or speak for any specific lender. Counselors are NOT to steer to any lender or provide any information on which lenders are offering specific HECM variations or proprietary products. Counselors are NOT to provide information on the specific costs charged because costs are subject to market

fluctuations and may depend on variables that are not constant from client to client.

Counseling can be done in person or by phone. Even before the Covid-19 pandemic hit the world, most counseling sessions transpired over the phone. Counseling is vital and necessary because it helps a senior determine if a reverse mortgage is suitable and appropriate for their needs. A reverse mortgage needs to fit, it needs to be customized to the needs of the homeowner. It needs to be the right loan, for right person, for the right property, for the reason, at the right time. A reverse mortgage is like a financial swiss army knife -- it's flexible and versatile -- and can help senior homeowners feel a sense of control, comfort, freedom, joy, security and peace of mind.

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