

# Comparing Reverse vs Forward

Defining reverse terminology on a Loan Comparison and providing the forward mortgage equivalent.

	← DRAG TO REORDER →	← DRAG TO REORDER →	← DRAG TO REORDER →
<b>+ Add Product</b>	HECM CMT Monthly 5% Mutual of Omaha Mortgag... <b>Selected</b>	HECM CMT Monthly 10% Mutual of Omaha Mortgag... <b>Select</b>	HECM Fixed Mutual of Omaha Mortgag... <b>Select</b>
Index	1y cmt	1y cmt	(Fixed)
Margin/Rate	Margin: <input type="text" value="2.500%"/>	Margin: <input type="text" value="2.375%"/>	Rate: 6.990%
Expected/Initial Rate	6.780% / 7.920%	6.655% / 7.795%	6.990%
Interest Rate Cap	12.920%	17.795%	
MIP Rate	0.500%	0.500%	0.500%
Initial LOC Growth Rate	8.420%	8.295%	
Property Value	600,000.00	600,000.00	600,000.00
Max Claim Amount	600,000.00	600,000.00	600,000.00
Principal Limit	<b>229,800.00</b>	<b>232,800.00</b>	<b>223,200.00</b>
- Mortgage Insurance	12,000.00	12,000.00	12,000.00
- Origination Fee	6,000.00	<input type="text" value="6,000.00"/>	<input type="text" value="6,000.00"/>
- Other Fees	2,373.45	2,373.45	2,373.45
+ Lender Credit (Hud1 Page1)	<input type="text"/>	<input type="text"/>	<input type="text"/>
- Liens Payoff	150,000.00	150,000.00	150,000.00
Available Funds	<b>59,426.55</b> For 1st Year: 22,980.00	<b>62,426.55</b> For 1st Year: 23,280.00	<b>22,320.00</b>
Available Tenure	<b>412.39</b>	<b>428.10</b>	
<b>DISBURSEMENT</b>	<b>Cash</b> <input type="text" value="0.00"/>	<b>Cash</b> <input type="text" value="5,000.00"/> \$5,000.00	<b>Cash</b> <input type="text" value="22,320.00"/>
	<b>Monthly</b> <input type="text" value="0.00"/>	<b>Monthly</b> <input type="text" value="300.00"/> For life	
	<b>LOC</b> <input type="text" value="59,426.55"/> For 1st year 22,980.00	<b>LOC</b> <input type="text" value="13,679.49"/>	
<b>Additional Information</b>			
Mandatory Obligations	170,373.45	170,373.45	170,373.45
Initial Disbursement Limit	(84.14%) 193,353.45	(83.18%) 193,653.45	(86.33%) 192,693.45
Additional 10% Usage	22,980.00	23,280.00	22,320.00
Initial Loan Balance (UPB)	(74.14%) 170,373.45	(75.33%) 175,373.45	(86.33%) 192,693.45

Reverse Mortgage Terms	Definition	Equivalent Forward Terms
<b>Index</b>	The index that is added to the margin to calculate the Initial Rate	Index
<b>Margin/Rate</b>	The margin lenders add to the index being used (currently CMT) on ARMs. On Fixed rate loans, it's the Note rate for the life of loan.	Margin/Rate
<b>Expected/ Initial Rate</b>	Expected Rate: Unlike forward loans, HECM ARMs use a second interest rate that determines the Principal Limit (Loan Amount). The rate is not used after loan closing. Initial Rate: The rate in effect at the time of the quote or application. All rates on HECM loans are considered float until locked, at that time the initial rate becomes the Note Rate.	N/A  Interest Rate
<b>Interest Rate Cap</b>	Like most ARMs, HECMs have an interest rate cap that differs depending on the type of ARM selected. N/A for fixed rate loans.	Rate Cap (ARMs/HELOCs)
<b>MIP Rate</b>	The amount of ongoing (sometimes called annual) Mortgage Insurance Premium that is added to the loan balance.	Mortgage Insurance (FHA loans)
<b>Initial LOC Growth Rate</b>	Unlike HELOCs, when a HECM borrower chooses to have a LOC, the unused portion grows at the Note Rate +.5% annually.	N/A
<b>Property Value</b>	The estimated appraised value. Will be the same as MCA (below) until the value is greater the HUD's national lending limit.	Property Value
<b>Maximum Claim Amount (MCA)</b>	The lesser of the homes' value or HUD's national lending limit.	Appraised Value
<b>Principal Limit</b>	The maximum the client can borrow, also the max loan amount.	Loan Amount
<b>Mortgage Insurance</b>	2% of the Max Claim Amount, this is paid to HUD on all HECM loans, like MI on forward loans when borrowing more than 80% in value. However, this fee applies to ALL HECM loans.	MI (on private loans) or MIP on all FHA loans
<b>Origination Fee</b>	The cost of originating the loan. The fee is calculated by FHA and can be reduced and is usually financed into the loan.	Origination Fee, Application Fee
<b>Other Fees</b>	A cumulative total of closing costs like credit, appraisal, title, settlements, etc.	Closing Costs
<b>Broker Credit</b>	Credit offered to borrower from a broker partner (only shown on broker loans)	Broker Credit
<b>Lender Credit</b>	Credit offered to borrower from the lender.	Lender Credit
<b>Liens Payoff</b>	Same as forward mortgages	Payoffs
<b>Repair Set Aside</b>	When repairs are required after loan closing, loan proceeds are set aside and distributed after the repairs are complete. (Not shown unless repair set aside entered)	N/A
<b>Life Expectancy Set Aside</b>	Known as a LESA – this is when we reserve loan proceeds to pay for taxes and insurance on the borrower's behalf. Not shown unless LESA is selected or required)	Escrow Account
<b>Available Funds</b>	The total amount of funds AFTER payoffs, closing costs, fees and set asides (if applicable). For ARMs, the amount available in year 1 will also be shown.	Available cash out
<b>Available Tenure</b>	The maximum amount of a monthly payment for as long as a borrower maintains the property as their primary residence.	N/A

Reverse Mortgage Terms	Definition	Equivalent Forward Terms
<b>Disbursement</b>	<p><b>Cash</b> – the amount the borrower(s) wishes to take as cash out. Cannot be more than 1<sup>st</sup> year funds. The only option on fixed rate loans.</p> <p><b>Monthly</b> – the amount the borrower wishes to receive monthly. The arrow can be clicked to switch from tenure to term payments.</p> <p><b>LOC</b> – The line of credit available at the time of loan closing. May be divided into 1<sup>st</sup> year and total LOC.</p>	N/A
<b>Mandatory Obligations</b>	The total amount of all items that must be paid from loan funds.	Total Payoffs
<b>% of MO to Principal Limit</b>	Since proceeds in the first year are limited by FHA the % illustrates how much of the PL is being used.	N/A
<b>Additional 10% Usage</b>	When a borrower uses more than 50% of the available loan amount, they will be able to draw up to 10% more in the first year.	N/A
<b>Initial Loan Balance (UPB)</b>	Also known as the Unpaid Principal Balance, it's the total of payoffs, closing costs, and cash out requested at Closing.	N/A

Reverse Mortgage Terms	Definition	Equivalent Forward Terms
<b>DOB</b>	The youngest borrower's DOB (Or ENBS) is a factor in determining Principal Limit. The Borrower screen in QR shows their current age (R) or their nearest age (N) which is used for the birthday rule.	N/A
<b>Non-Borrowing Spouse (NBS)</b>	Individuals who are married (defined by each state) but will not be a borrower, often because they are not age eligible. NBSs deemed eligible (ENBS) will have their age using in calculating PL. Ineligible (INBS) NBSs age is not used in the calculation.	N/A
<b>1009</b>	The reverse mortgage loan application.	1003
<b>HECM For Purchase (H4P)</b>	Reverse mortgages are generally all considered refinances; however, you may also use a reverse mortgage to buy a home.	Purchase loan
<b>HECM To HECM Refinances</b>	When a borrower who already has a reverse mortgage and refinances that loan into another reverse mortgage.	Refinance
<b>Purchase Loans</b>		
<b>Purchase Price</b>	The purchase price according to the sales contract. Max Claim Amount will be the lesser of the Sales Price, Appraised Value, and national lending limit.	Sales Price
<b>Contribution from Loan</b>	The amount of proceeds provided by the reverse mortgage.	The amount be loaned
<b>Earnest Money</b>	The amount of money already provided to the seller.	Deposit/Earnest Money
<b>Cash Investment Required</b>	The amount of money that must be invested by the borrower(s). The amount will be lessened by the amount of Earnest Money entered.	Down Payment