

Section E. Reverse Mortgage Issues/Obligations After Closing

Overview

Contents

This section contains the topic “*Reverse Mortgage Disbursement of Funds and Other Obligations/Implications After Closing.*”

1. Reverse Mortgage Disbursement of Funds and Other Obligations/Implications After Closing

Introduction This topic contains information on reverse mortgage

- disbursement of funds
 - borrower right of rescission
 - borrower obligations, and
 - income tax implications.
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PROTCL After closing, the lender disburses

5.E.1.a

**Reverse
Mortgage
Disbursement
of Funds**

- term and tenure payments on the first business day of each month, and
- line-of-credit payments within five business days of receiving a written request for funds from the borrower.

Lenders are subject to a late charge of 10 percent of the disbursement amount (up to \$500) if they do not meet the payment timeframes.

Note: There is no minimum amount that the borrower must withdraw from a line of credit.

PROTCL After closing, the borrower has three days to cancel the loan. If a borrower decides not to take the reverse mortgage, he/she must notify the lender immediately of this decision.

5.E.1.b

**Borrower Right
of Rescission on
a Reverse
Mortgage**

Note: There is no right of rescission with a HECM for purchase unless state law provides for it.

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1. Reverse Mortgage Disbursement of Funds and Other Obligations/Implications After Closing, Continued

**PROTCL
5.E.1.c
Reverse
Mortgage
Borrower
Obligations**

After closing on a reverse mortgage, the borrower must

- pay property taxes and hazard insurance, and
- maintain the condition of the property as it was when the lender approved the reverse mortgage.

If the borrower fails to maintain the property,

- the lender may notify the borrower of the deficient condition, indicating the necessary repairs, and
- if the borrower does not begin repairs within 60 days, the lender may declare the loan due and payable.

Note: At the borrower's request, the lender may withhold funds to pay property tax and hazard insurance costs on the borrower's behalf.

**PROTCL
5.E.1.d
Reverse
Mortgage
Income Tax
Implications**

HUD cannot provide tax advice to program participants, however, housing counseling agencies licensed to provide income tax advice may do so or may refer the borrower to a tax expert.
