Section E. Reverse Mortgage Issues/Obligations After Closing

Overview

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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.

## Change Date

March 18, 2011

## PROTCL 5.E.1.a Reverse Mortgage Disbursement of Funds

After closing, the lender disburses:

- 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 5.E.1.b Borrower Right of Rescission on a Reverse Mortgage

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.

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

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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.

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.