

# About NCOA

The National Council on Aging (NCOA) is a respected national leader and trusted partner to help people aged 60+ meet the challenges of aging. Our mission is to improve the lives of millions of older adults, especially those who are struggling. Through innovative community programs and services, online help, and advocacy, NCOA is partnering with nonprofit organizations, government, and business to improve the health and economic security of 10 million older adults by 2020. Learn more at [ncoa.org](http://ncoa.org) and [@NCOAging](https://twitter.com/NCOAging).



# CounselingDocs.org

## Counseling Access Code **GSP**

### Government Mandated

The government mandates that every person who wants to get a reverse mortgage has to participate in a counseling session with an independent, specially trained counselor for reverse mortgages.

### Vanleeuwen, Pye & Associates DbA Mortgage Loan Services

We will not process a reverse mortgage unless the customer can prove having participated in a counseling session with a specialized and government approved reverse mortgage counselor.

We want the counseling session to be an informational and beneficial experience for you and have attached a list of government approved reverse mortgage counselors.

### Documents

We have contracted with the website, CounselingDocs.org, to allow your counselor to access and discuss the following loan-specific documents with you:

- Amortization Schedule
- Total Annual Loan Cost
- Comparison

## Important

Please tell your counselor to access your loan documents at:

[www.CounselingDocs.org](http://www.CounselingDocs.org)

Access Code:

**GSP**



# Home Equity Conversion Mortgage Disclosure (Application Truth-In-Lending Disclosure) Important Terms

**Retention of Information:** This disclosure contains important information about the Home Equity Conversion Mortgage Program ("HECM" or "Plan") that we are offering in conjunction with the Department of Housing and Urban Development ("HUD"). You should read it carefully and keep a copy for your records.

**Availability of Terms:** The terms described below are not subject to change.

**Security Interest:** We and HUD will take a security interest/mortgage on your home (the "Property"). You could lose the Property if you do not meet the obligations in your Notes, Security Instruments and Loan Agreement with us.

**Possible Actions:** Under certain conditions discussed below, we may take certain actions including terminating your Plan and accelerating your outstanding balance, suspending your credit privileges, and implementing certain changes to the Notes, Security Instruments and Loan Agreement.

We can terminate your HECM and immediately require payment of the entire outstanding balance in one payment if:

- All of the Borrowers have died and an Eligible Non-Borrowing Spouse does not continue to occupy the property as a principal residence, other than allowable temporary absences.
- All of the Borrowers have sold or conveyed title to the Property (other than a transfer of the Borrower's title into a trust that satisfies HUD's requirements or a transfer of title to the Property from such a trust to the Borrower) and no Borrower retains a leasehold under a permitted lease or retains a life estate interest in the Property.
- The Property is no longer the principal residence of at least one Borrower, or an Eligible Non-Borrowing Spouse does not continue to occupy the property as a principal residence after the Borrower dies, other than allowable temporary absences.
- No Borrower maintains, or during a Deferral Period the Eligible Non-Borrowing Spouse fails to maintain, the Property as a principal residence for a period exceeding 12 months because of physical or mental illness.
- The Borrower, or during a Deferral Period the Eligible Non-Borrowing Spouse, fails to pay all required property charges consisting of real estate taxes, all applicable property insurance premiums, ground rents, condominium fees, planned unit development fees, homeowner's association fees, and special assessments, and fails to cure the delinquency.
- The Property is in disrepair and the Borrower (or an Eligible Non-Borrowing Spouse during a Deferral Period) has refused or is unable to fix the Property.
- The Borrower (or an Eligible Non-Borrowing Spouse during a Deferral Period) violates any other covenants of the Security Instruments and has refused or is unable to comply with the violated conditions of the Security Instruments.

We can refuse to make additional extensions of credit during any period in which the following are in effect:

- During the First 12-Month Disbursement Period if the Initial Disbursement Limit is met or exceeded.
- The outstanding balance equals the credit limit ("Principal Limit").
- We have notified you that we will require immediate payment of the entire outstanding balance due to the occurrence of one of the events of termination listed above.



- The initial repairs required to bring the Property up to the Minimum Property Standards required by HUD are not completed by the time required in the Repair Rider to the Loan Agreement.
- We determine on the basis of title evidence that the Property securing the Plan is encumbered by any liens that jeopardize the first lien status of the First Security Instrument or the second lien status of the Second Security Instrument, or if you refuse to execute any document approved by HUD to extend the first and second lien status to an additional maximum principal balance or an additional number of years.
- All of the Borrowers have died and an Eligible Non-Borrowing Spouse continues to occupy the Property as a principal residence during a Deferral Period.
- A petition for bankruptcy by or against you is filed.
- You have paid the Notes in full.

We are permitted to make certain changes to the terms of the Plan. We may make changes to the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the Plan, if the change is insignificant or if the change involves the substitution of the index and margin if the current index becomes unavailable (as described below).

**Key Terms:** In this disclosure, "You" or "Your" mean the "Borrower", and "homeowner" means a Borrower or an Eligible Non-Borrowing Spouse. The "First 12-Month Disbursement Period" is the period that begins on the loan closing date and ends on the day before the anniversary date of loan closing. The "Initial Disbursement Limit" is the maximum disbursement amount allowed at closing and during the First 12- Month Disbursement Period and is the greater of (1) sixty percent (60%) of the Principal Limit, or (2) the sum of Mandatory Obligations plus ten (10%) percent of the Principal Limit. "Mandatory Obligations" are fees and charges incurred in connection with the origination of the HECM that are paid at loan closing, including paying off an existing mortgage on your home. See your loan documents for additional information about the Initial Disbursement Limit, the First 12-Month Disbursement Period, and your responsibility for real estate property taxes and hazard insurance. "Non-Borrowing Spouse" is the spouse of the Borrower, as determined by the law of the state in which the spouse of the Borrower and the Borrower reside or the state of celebration, at the time of closing and who is not a Borrower. "Eligible Non-Borrowing Spouse" is a Non-Borrowing Spouse who meets the requirements established by HUD that a Non-Borrowing Spouse must satisfy in order to be eligible for the Deferral Period. "Deferral Period" is the period of time following the death of the Borrower during which the due and payable status of the HECM is deferred based on the continued satisfaction of the requirements for an Eligible Non-Borrowing Spouse, which include establishing a legal right to occupy the Property, occupying the Property as his or her principal residence, paying all required property charges, maintaining the Property and annually certifying that all requirements for the application of a Deferral Period continue to apply and continue to be met.

Loan advances are not available to an Eligible Non-Borrowing Spouse during a Deferral Period.

**Minimum Payment Requirements:** Subject to the Initial Disbursement Limit, you can obtain advances of credit under one of several "payment plans" available under the HECM program. Subject to the Initial Disbursement Limit, the length of time during which you can obtain advances depends upon the payment plan that you select. As long as the Plan is not due and payable under the conditions set forth above, subject to the Initial Disbursement Limit, you may obtain advances under the following payment plans:

- Tenure plan:** Under this plan, subject to the Initial Disbursement Limit, you will receive equal monthly payments from us for as long as you occupy the Property as a principal residence.
- Term plan:** Under this plan, subject to the Initial Disbursement Limit, you will receive equal monthly payments from us for a fixed period that you select.
- Line of Credit plan:** Under this plan, subject to the Initial Disbursement Limit, you will receive advances in unscheduled payments or in installments, at times and in amounts that you choose until the line of credit is exhausted.
- Modified Term or Tenure plan:** Under these plans, subject to the Initial Disbursement Limit, you may combine a line of credit with monthly payments. In exchange for reduced monthly payments, you will set



aside a specified amount of money at closing for a line of credit, on which you can draw until the line of credit is exhausted.

Subject to the Initial Disbursement Limit, the period during which you can obtain advances (the "Draw Period") is, therefore, indefinite under the Tenure and Line of Credit or Modified Term or Tenure Plans. After the First 12-Month Disbursement Period, there are no limitations on the amount of an advances you may obtain under the line of credit (as long as you remain within your credit limit (or Principal Limit). You will choose the length of the Draw Period under the Term Plan. If certain conditions are met, including the payment by you to us of a fee in the amount of \$20.00, subject to the Initial Disbursement Limit, you can switch from one payment plan to another at any time during the life of your HECM as long as outstanding balance is less than the Principal Limit. If you elect to change your payment plan, the length of your Draw Period may also change.

Repayment of your HECM will be due in one single payment; therefore, there will be no repayment period. Your payment will be due when: (a) a Borrower dies and the Property is not the principal residence of at least one surviving homeowner, (b) a homeowner conveys all of his or her title to the Property (other than a transfer of the Borrower's title into a trust that satisfies HUD's requirements or a transfer of title to the Property from such a trust to the Borrower) and no other Borrower retains title to the Property in fee simple or on a leasehold interest or a life estate, or (c) upon approval by the Secretary of Housing and Urban Development ("Secretary"), if: (i) the Property ceases to be the principal residence of a Borrower for reasons other than death and the Property is not the principal residence of at least one other Borrower, (ii) for a period longer than 12 consecutive months a Borrower fails to physically occupy the Property because of physical or mental illness and the Property is not the principal residence of at least one other Borrower, or (iii) an obligation of the Borrower under the Security Instruments is not performed. During the First 12-Month Disbursement Period, if the Lender advances any funds to you that exceed the Initial Disbursement Limit, you may be required to return such funds to Lender.

The single payment necessary to repay your HECM loan will be equal to the amount of (1) all advances you have obtained, (2) all advances that we have made to pay for repairs, property charges, monthly mortgage insurance premiums, servicing fees and other charges that you authorize us to pay or for which we are permitted or required to advance funds under the Notes, Security Instruments and Loan Agreement, (3) all interest that has accrued on the amount outstanding from time to time and (4) any other fees or charges that are due under your Notes, Security Instruments and Loan Agreement. The disclosure assumes full repayment of the amount advanced plus accrued interest, although the amount you may be required to pay is limited by your agreement.

#### **Minimum Payment Examples:**

##### **Annually Adjusting Variable Rate Feature**

**Tenure or Line of Credit Plan:** If the youngest homeowner was 72 years old when you opened your Plan and you took a single \$10,000 advance and took no other credit advances, at an **Annual Percentage Rate** of 3.705%, you would have to make one payment of \$16,175.42 at the end of 13 years (based on the life expectancy of the youngest homeowner).

**Term Plan:** If you selected a Term Plan with a term of 10 years and you took a single \$10,000 advance and took no other credit advances, at an **Annual Percentage Rate** of 3.705%, you would have to make one payment of \$14,476.32 at the end of 10 years.

Note: This disclosure example assumes you will repay your HECM at the time our payments to you end. As provided in your Loan Agreement and the "Minimum Payment Requirements" paragraph of this disclosure, your repayment is due upon the occurrence of certain events such as when the homeowners cease to reside in the Property as their principal residence or all homeowners die. In addition, because the examples assume that you did not obtain any credit advances after the single advance of \$10,000, there is no provision for the effects of additional credit, including advances for payment of the monthly servicing fee. The disclosures assume full repayment of the amount advanced plus accrued interest, although the amount required to be re-paid is limited by your agreement.

##### **Monthly Adjusting Variable Rate Feature**

**Tenure or Line of Credit Plan:** If the youngest homeowner was 72 years old when you opened your Plan and you took a single \$10,000 advance and took no other credit advances, at an **Annual Percentage Rate** of 2.949%, you



would have to make one payment of \$14,665.31 at the end of 13 years (based on the life expectancy of the youngest homeowner).

**Term Plan:** If you selected a Term Plan with a term of 10 years and you took a single \$10,000 advance and took no other credit advances, at an **Annual Percentage Rate** of 2.949%, you would have to make one payment of \$13,425.06 at the end of 10 years.

**Note:** This disclosure example assumes you will repay your HECM at the time our payments to you end. As provided in your Loan Agreement and the "Minimum Payment Requirements" paragraph of this disclosure, your repayment is due upon the occurrence of certain events such as when the homeowners cease to reside in the Property as their principal residence or all homeowners die. In addition, because the examples assume that you did not obtain any credit advances after the single advance of \$10,000, there is no provision for the effects of additional credit, including advances for payment of the monthly servicing fee. The disclosures assume full repayment of the amount advanced plus accrued interest, although the amount you may be required to pay is limited by your agreement.

**Fees and Charges:** You must pay us at closing an origination fee in an amount not exceeding the greater of: (i) \$2,500, or (ii) an amount equal to two percent (2%) of the Maximum Claim Amount of the mortgage, up to a maximum claim amount of \$200,000, plus one percent (1%) of any portion of the Maximum Claim Amount that is greater than \$200,000; subject to a maximum origination fee of \$6,000.

If disbursements made to you or on your behalf at closing and/or during the First 12-Month Disbursement Period exceed sixty percent (60%) of the Principal Limit, you must also pay at closing an initial mortgage insurance premium (MIP) equal to two and one-half percent (2.50%) of the Maximum Claim Amount. If disbursements made to you or on your behalf at closing and/or during the First 12-Month Disbursement Period are equal or are less than sixty percent (60%) of the Principal Limit, you must also pay at closing an initial MIP equal to one-half of one percent (0.50%) of the Maximum Claim Amount. HUD's Maximum Claim Amount is the lesser of the appraised value of the Property, as determined by the appraisal used in underwriting the loan, or the sales price of the Property being purchased less any Earnest Money Deposit for the sole purpose of being the principal residence, or the national mortgage limit for a one family residence under section 305 (a)(2) of the Federal Home Loan Mortgage Corporation Act (as adjusted where applicable under section 214 of the National Housing Act) as of the date of loan closing. For example, if disbursements elected by you or made to you or on your behalf at closing and/or during the First 12-Month Disbursement Period exceed sixty percent (60%) of the Principal Limit and the Maximum Claim Amount for your Plan was \$100,000, then the initial MIP would be \$2,500. If disbursements made to you or on your behalf at closing and/or during the First 12-Month Disbursement Period are equal or are less than sixty percent (60%) of the Principal Limit and the Maximum Claim Amount for your Plan was \$100,000, then the initial MIP would be \$500.

If you are refinancing a prior HECM loan, your initial MIP will be computed according to the following formula: (1) the Maximum Claim Amount of your new HECM loan is multiplied by the initial MIP rate corresponding to your new HECM loan; (2) the Maximum Claim Amount of your old HECM loan is multiplied by the initial MIP rate corresponding to your old HECM loan; and (3) the result of (2) is subtracted from the result of (1). If the amount of the new MIP in (1) is less than the amount of the old MIP in (2), the amount of your initial MIP will be zero. The initial MIP rate corresponding to your new HECM loan is determined by whether disbursements made to you or on your behalf at closing and/or during the First 12-Month Disbursement Period equal or exceed sixty percent (60%) of the Principal Limit. If the new Maximum Claim Amount is less than the old Maximum Claim Amount, the amount owed can be greater than zero or if new MIP less the old MIP is a negative number, the amount owed is zero. For example, if the Maximum Claim Amount on your prior HECM loan was \$200,000 and the Maximum Claim Amount on your refinancing HECM loan is \$250,000, and the disbursements made to you or on your behalf at the closing and/or during the First 12-Month Disbursement Period of your new HECM Loan exceed sixty percent (60%) Principal Limit, the initial MIP on your refinancing would be equal to \$2,250, which is computed by subtracting \$4,000 (\$200,000 x 2%) from \$6,250 (\$250,000 x 2.50%). If the Maximum Claim Amount on your prior HECM loan was \$200,000 and the Maximum Claim Amount on your refinancing HECM loan is \$250,000, and disbursements made to you or on your behalf at the closing and/or during the First 12-Month Disbursement Period of your new HECM Loan are equal to or less than sixty percent (60%) Principal Limit, the initial MIP on your refinancing would be zero (computed by subtracting \$4,000 (\$200,000 x 2%) from \$1,250 (\$250,000 x 0.50%), which result cannot be less than zero).

In addition, if repairs required to bring the Property up to Minimum Property Standards are made after closing, you must pay the cost of repairs when advances are made to pay for such repairs. You must also pay a Repair Administration Fee which will not exceed the greater of one and one-half percent (1.5%) of the amount advanced for



the repairs or \$50.00. If the Property meets HUD's Minimum Property Standards, you will not be required to pay these amounts. The amount of the cost of repairs will, of course, depend upon the extent of the repairs required on the Property. Subject to the Initial Disbursement Limit, if you elect to change your payment plan to another plan (e.g., Tenure Plan to Line of Credit Plan), we will charge a fee not to exceed an amount determined by the Secretary at that time. Currently, that amount is \$20.00. A servicing fee equal to \$0.00 will be charged monthly if your HECM has an annually adjusting variable rate feature. If your HECM has a monthly adjusting variable rate feature, a servicing fee equal to \$30.00 will be charged monthly.

You must also pay certain fees at closing to third parties such as appraisers, title companies and government agencies. Depending upon the Maximum Claim Amount for your Plan and the cost of services in the area in which the Property is located, these third-party fees will generally range between \$1500 and \$6000. If you ask, we will give you specific itemization of the fees you will have to pay to third parties. You must also obtain property insurance coverage on the Property.

Some of these fees may be paid with Advances under your Plan.

**Negative Amortization:** Under the HECM, repayment does not occur until one of the conditions of termination described above occurs. Therefore, principal, finance charges, and certain other charges that accrue during the life of a HECM are not paid as they accrue and "negative amortization" will occur. Negative amortization, under which the accrued charges are added to the outstanding loan balance, will increase the amount owed to us and reduce the equity in the Property.

**Minimum Draw and Balance Requirements:** Subject to the Initial Disbursement Limit, the amount of your advances and any limitations on those advances will depend upon the payment plan that you select. If you select a Tenure or Term Plan, then the amount of your advances will be set at a certain amount and will be paid to you on a monthly basis, subject to the Initial Disbursement Limit. If you select a Line of Credit Plan or a Modified Term or Tenure Plan (payment plans with monthly payments combined with a line of credit), there are no limitations on the amount of an advance, or the number of advances you may obtain under the line of credit (subject to the Initial Disbursement Limit and as long as you remain within your Principal Limit). You may change the type of payment plan throughout the life of the Plan (including switching to a Line of Credit Plan) or long as outstanding balance is less than the Principal Limit. There are no minimum outstanding balance requirements under the Plan.

**Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and charges for the Plan.

**Variable-Rate Feature:** The Plan has a variable-rate feature and the **Annual Percentage Rate** (corresponding to the periodic rate) and the minimum payment under the Plan can change as a result.

**Index:** Depending upon the Plan you choose, the "Index" is the average of interbank offered rates for either one month or one year U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in The Wall Street Journal, rounded to three digits to the right of the decimal point. If the Index (as defined above) is no longer available, we will use as a new Index any index prescribed by the Secretary of the U.S. Department of Housing and Urban Development, and we will choose a new margin so that the new index plus the margin will result in an **Annual Percentage Rate** that is substantially similar to the rate in effect at the time the original index becomes unavailable.

**Annual Percentage Rate:** To determine the **Annual Percentage Rate** that will apply to your Plan, we add a margin to the value of the index subject to the rate limitations described below. The **Annual Percentage Rate** does not include costs other than interest.

Please ask us for the current index value, margin, and **Annual Percentage Rate**. After you open a Plan, rate information will be provided on periodic statements that we send you.

**Rate Changes:** If your HECM has an annually adjusting variable rate feature, the **Annual Percentage Rate** can change annually based on changes in the index value. However, your first rate change can occur between twelve and eighteen months from the date of closing. Rate changes must occur every twelve months thereafter. The **Annual Percentage Rate** cannot change by more than 2 percentage points at each rate change or by more than 5 percentage points over the life of the Plan (i.e., the maximum **Annual Percentage Rate** that can apply to your Plan will be 5 percentage points above your initial rate). Please ask us for the maximum rate that is currently available.



If your HECM has a monthly adjusting variable rate feature, the **Annual Percentage Rate** can change monthly based on changes in the index value. Your first rate change must occur on the first day of the second full month. Rate changes can occur every month thereafter. There are no limits on the amount of the rate change each month; however, the **Annual Percentage Rate** can never be more than 10.00 percentage points higher than your initial rate. Please ask us for the maximum rate that is currently available.

#### Maximum Rate and Payment Examples:

##### Annually Adjusting Variable Rate Feature

Tenure or Line of Credit Plan: Assume the youngest homeowner was 72 years old when you opened your Plan and you had an outstanding balance of \$10,000 at the beginning of the Draw Period with an initial rate of 3.705%. If you took no other advances or payments and the rate increased as rapidly as possible so that the rate was 5.705% in the second year, 7.705% in the third year and 8.705% (5.0% above an assumed initial rate of 3.705% -- the maximum **Annual Percentage Rate**) in the fourth year and remained at the maximum rate, the minimum payment that would be due at the end of 13 years (based on the life expectancy of the youngest borrower) would be \$28,237.60.

Term Plan: Assume you selected a Term Plan with a term of 10 years and you had an outstanding balance of \$10,000 at the beginning of the Draw Period with an initial rate of 3.705%. If you took no other advances or payments and the rate increased as rapidly as possible so that the rate was 5.705% in the second year, 7.705% in the third year and 8.705% (5.0% above an assumed initial rate of 3.705% -- the maximum **Annual Percentage Rate**) in the fourth year and remained at the maximum rate, the minimum payment that would be due at the end of 10 years would be \$21,768.13.

Note: This disclosure example assumes you will repay your HECM at the time our payments to you end. As provided in your Loan Agreement and the "Minimum Payment Requirements" paragraph of this disclosure, your repayment is due upon the occurrence of certain events such as when the homeowners cease to occupy the Property as their principal residence or all homeowners die. In addition, because the examples assume that you did not obtain any credit advances after the single advance of \$10,000, there is no provision for the effects of additional credit, including advances for payment of the monthly servicing fee. The disclosures assume full repayment of the amount advanced plus accrued interest, although the amount you may be required to pay is limited by your agreement.

The 8.705% maximum **Annual Percentage Rate** could be reached at the end of the third year (the third rate change).

##### Monthly Adjusting Variable Rate Feature

Tenure or Line of Credit Plan: Assume the youngest homeowner was 72 years old when you opened your Plan and you had an outstanding balance of \$10,000 at the beginning of the Draw Period with an initial rate of 2.949%. If you took no other advances or payments and the rate increased as rapidly as possible so that the rate was 12.949% in the second month, (10.00 above an assumed initial rate of 2.949% -- the maximum **Annual Percentage Rate**) and remained at the maximum rate, the minimum payment that would be due at the end of 13 years (based on the life expectancy of the youngest borrower) would be \$52,913.52.

Term Plan: Assume you selected a Term Plan with a term of 10 years and you had an outstanding balance of \$10,000 at the beginning of the Draw Period with an initial rate of 2.949%. If you took no other advances or payments and the rate increased as rapidly as possible so that the rate was 12.949% in the second month (10.00% above an assumed initial rate of 2.949% -- the maximum **Annual Percentage Rate**) and remained at the maximum rate, the minimum payment that would be due at the end of 10 years would be \$35,955.06.

Note: This disclosure example assumes you will repay your HECM at the time our payments to you end. As provided in your Loan Agreement and the "Minimum Payment Requirements" paragraph of this disclosure, your repayment is due upon the occurrence of certain events such as when the homeowners cease to occupy the Property as their principal residence or all homeowners die. In addition, because the examples assume that you did not obtain any credit advances after the single advance of \$10,000, there is no provision for the effects of additional credit, including advances for payment of the monthly servicing fee. The disclosures





assume full repayment of the amount advanced plus accrued interest, although the amount you may be required to pay is limited by your agreement.

The 12.949% maximum **Annual Percentage Rate** could be reached at the end of the first full calendar month (the first rate change).

### ANNUALLY ADJUSTING VARIABLE RATE

Historical Example: The following table shows how the **Annual Percentage Rate** and the minimum payment for a single \$10,000 credit advance would have changed based on changes in the index over the past 15 years. The index values are from the first week ending in July of each year.

The table assumes that no additional credit advances were taken, that no repayments of any advances were made and that the rate remained constant during each year. It does not necessarily indicate how the index or your payment will change in the future.

	Year	Index	Margin	* Annual Percentage Rate	Minimum Payment
		%	%	%	\$
	2002	2.286	2.500	4.786	
	2003	1.170	2.500	3.670	
	2004	2.340	2.500	4.840	
	2005	3.903	2.500	6.403	
Draw	2006	5.766	2.500	8.266	
Period	2007	5.425	2.500	7.925	
	2008	3.293	2.500	5.925*	
	2009	1.531	2.500	4.031	
	2010	1.171	2.500	3.671	
	2011	0.734	2.500	3.234	\$16,925.47+
	2012	1.068	2.500	3.568	
	2013	0.690	2.500	3.190	
	2014	0.556	2.500	3.056	\$18,668.27++
	2015	0.777	2.500	3.277	
	2016	1.205	2.500	3.705	

\*This **Annual Percentage Rate** reflects the 2 percentage points limitation on annual changes to the **Annual Percentage Rate**. Your Plan contains a 5 percentage points limitation on increases and decreases to the **Annual Percentage Rate** over the life of the Plan.

+Term Plan: Assuming you selected a Term Plan with a ten year term, and that payment was due at the end of 10 years, the minimum payment would equal the amount indicated above.

Note: This disclosure example assumes you will repay your HECM at the time our payments to you end. As provided in your Loan Agreement and the "Minimum Payment Requirements" paragraph of this disclosure, your repayment is due upon the occurrence of certain events such as when the homeowners cease to use the Property as their principal residence or the homeowners die.

++Tenure or Line of Credit Plan: The minimum payment is due upon the occurrence of the events listed in the "Minimum Payment Requirements" paragraph of this disclosure. Assuming that the borrower was 72 years old when the Plan was opened and that payment was due upon the death of the borrower, based upon the youngest borrower's life expectancy, the minimum payment would be due in 13 years and would equal the amount indicated above.



**MONTHLY ADJUSTABLE VARIABLE RATE**

**Historical Example:** The following table shows how the **Annual Percentage Rate** and the minimum payment for a single \$10,000 credit advance would have changed based on changes in the index over the past 15 years. Although the changes to your **Annual Percentage Rate** may occur each month, the table below only illustrates one rate change per year based on the index values from the first Monday in July of each year, or the following Tuesday if Monday is a non-publishing day.

The table assumes that no additional credit advances were taken, that no repayments of any advances were made and that the rate remained constant during each year. It does not necessarily indicate how the index or your payment will change in the future.

Year	Index	*Margin	Annual Percentage Rate	Minimum Payment	
	%	%	%	\$	
2002	1.838	2.500	4.338		
2003	1.116	2.500	3.616		
2004	1.360	2.500	3.860		
2005	3.340	2.500	5.840		
2006	5.346	2.500	7.846		
Draw	2007	5.320	2.500	7.820	
Period	2008	2.461	2.500	4.961	
	2009	0.301	2.500	2.801	
	2010	0.347	2.500	2.847	
	2011	0.185	2.500	2.685	\$15,921.67+
	2012	0.245	2.500	2.745	
	2013	0.195	2.500	2.695	
	2014	0.153	2.500	2.653	\$17,262.22++
	2015	0.187	2.500	2.687	
	2016	0.449	2.500	2.949	

\*This is a margin we have used recently. For monthly adjustable variable rates, there is a 10.00 percentage points limitation on increases and decreases to the **Annual Percentage Rate** over the life of the Plan. The values in this historical example did not fluctuate sufficiently to reflect this limitation. There are no limits on changes to the **Annual Percentage Rate** at each rate change.

+**Term Plan:** Assuming you selected a Term Plan with a ten year term, and that payment was due at the end of 10 years, the minimum payment would equal the amount indicated above.

**Note:** This disclosure example assumes you will repay your HECM at the time our payments to you end. As provided in your Loan Agreement and the "Minimum Payment Requirements" paragraph of this disclosure, your repayment is due upon the occurrence of certain events such as when the homeowners cease to use the Property as their principal residence or all homeowners die.

++**Tenure or Line of Credit Plan:** The minimum payment is due upon the occurrence of the events listed in the "Minimum Payment Requirements" paragraph of this disclosure. Assuming that the youngest borrower was 72 years old when the Plan was opened and that payment was due upon the death of the borrower, based upon the youngest borrower's life expectancy, the minimum payment would be due in 13 years and would equal the amount indicated above.



Limited Liability: Your liability under the Plan is limited to the net sale proceeds from the sale of the Property. You will have no personal liability for payment of the Notes. No deficiency judgment may be taken against you or your estate.

Late Payments: If we do not mail or electronically transfer a scheduled monthly payment to you on the first business day of the month or make a line of credit payment to you within five (5) business days of the date we received the request, we will pay you a late charge equal to ten percent (10.0%) of the entire amount that should have been paid to you for that month or as a result of that request. For each additional day that we fail to make payment, we shall pay interest on the late payment at the interest rate stated in the Notes. If the Notes provide for a variable interest rate, the rate in effect when the late charge first accrues shall be used. In no event will the total late charge and interest exceed five hundred dollars (\$500.00). Any late charge will be paid from our funds and will not be added to the unpaid principal balance.

I/We hereby acknowledge receipt of a copy of this Home Equity Conversion Mortgage Disclosure.

\_\_\_\_\_

\_\_\_\_\_ Date

\_\_\_\_\_

\_\_\_\_\_ Date



## Important Notice to Reverse Mortgage Loan Applicant

Pursuant to Cal. Civ. Code § 1923.5(a)

### 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 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 RIGHT 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.

---

### ACKNOWLEDGMENT

I/We have read the above notice and acknowledge receiving a copy by signing below.

\_\_\_\_\_  
[Redacted Signature]

\_\_\_\_\_  
Date

\_\_\_\_\_  
[Redacted Signature]

\_\_\_\_\_  
Date

## **Reverse Mortgage Worksheet Guide**

### **Is a Reverse Mortgage Right for Me?**

Pursuant to Cal. Civ. Code § 1923.5(b)

To decide if a recommended purchase of a reverse mortgage is right for you, consider all of your goals, needs, and available options. This self-evaluation worksheet has five essential questions for you to consider when deciding if a reverse mortgage is right for you.

Directions: The State of California advises you to carefully read and complete this worksheet, and bring it with you to your counseling session. You may make notes on a separate piece of paper with questions you may have about whether a reverse mortgage is right for you. During the counseling session, you can speak openly and confidentially with a professional reverse mortgage counselor, independent of the lender, who can help you understand what it means for you to become involved with this particular loan.

#### **1. What happens to others in your home after you die or move out?**

Rule: When the borrower dies, moves, or is absent from the home for 12 consecutive months, the loan may become due.

Considerations: Having a reverse mortgage affects the future of all those living with you. If the loan cannot be paid off, then the home will have to be sold in order to satisfy the lender.

To determine if this is an issue for you, ask yourself:

- (A) Who is currently living in the home with you?
- (B) What will they do when you die or permanently move from the home?
- (C) Have you discussed this with all those living with you or any family members?
- (D) Who will pay off the loan, and have you discussed this with them?
- (E) If your heirs do not have enough money to pay off the loan, the home will pass into foreclosure.

Do you need to discuss this with your counselor? Yes or No

#### **2. Do you know that you can default on a reverse mortgage?**

**Rule:** There are three continuous financial obligations. If you fail to keep up with your insurance, property taxes, and home maintenance, you will go into default. Uncured defaults lead to foreclosures.

**Considerations:** Will you have adequate resources and income to support your financial needs and obligations once you have removed all of your available equity with a reverse mortgage?

To determine if this is an issue for you, ask yourself:

- (A) Are you contemplating a lump-sum withdrawal?
- (B) What other resources will you have once you have reached your equity withdrawal limit?
- (C) Will you have funds to pay for unexpected medical expenses?
- (D) Will you have the ability to finance alternative living accommodations, such as independent living, assisted living, or a long-term care nursing home?
- (E) Will you have the ability to finance routine or catastrophic home repairs, especially if maintenance is a factor that may determine when the mortgage becomes payable?

Do you need to discuss this with your counselor? Yes or No

### **3. Have you fully explored other options?**

**Rule:** Less costly options may exist.

**Consideration:** Reverse mortgages are compounding-interest loans, and the debt to the lender increases as time goes on. You may want to consider using less expensive alternatives or other assets you may have before you commit to a reverse mortgage.

To determine if this is an issue for you, consider:

- (A) Alternative financial options for seniors may include, but not be limited to, less costly home equity lines of credit, property tax deferral programs, or governmental aid programs.
- (B) Other types of lending arrangements may be available and less costly. You may be able to use your home equity to secure loans from family members, friends, or would-be heirs.

Do you need to discuss this with your counselor? Yes or No

### **4. Are you intending to use the reverse mortgage to purchase a financial**

## **product?**

Rule: Reverse mortgages are interest-accruing loans.

Considerations: Due to the high cost and increasing debt incurred by reverse mortgage borrowers, using home equity to finance investments is not suitable in most instances.

To determine if this is an issue for you, consider:

- (A) The cost of the reverse mortgage loan may exceed any financial gain from any product purchased.
- (B) Will the financial product you are considering freeze or otherwise tie up your money?
- (C) There may be high surrender fees, service charges, or undisclosed costs on the financial products purchased with the proceeds of a reverse mortgage.
- (D) Has the sales agent offering the financial product discussed suitability with you?

Do you need to discuss this with your counselor? Yes or No

## **5. Do you know that a reverse mortgage may impact your eligibility for government assistance programs?**

Rule: Income received from investments will count against individuals seeking government assistance.

Considerations: Converting your home equity into investments may create nonexempt asset statuses.

To determine if this is an issue for you, consider:

- (A) There are state and federal taxes on the income investments financed through home equity.
- (B) If you go into a nursing home for an extended period of time, the reverse mortgage loan will become due, the home may be sold, and any proceeds from the sale of the home may make you ineligible for government benefits.
- (C) If the homeowner is a Medi-Cal beneficiary, a reverse mortgage may make it difficult to transfer ownership of the home, thus resulting in Medi-Cal recovery.

Do you need to discuss this with your counselor? Yes or No

\_\_\_\_\_  
Counselor Printed Name

\_\_\_\_\_  
Counselor Signature (Required if counseling is face-to-face)

\_\_\_\_\_  
Date

**I/We have read the above document and acknowledge receiving a copy prior to reverse mortgage counseling by signing below.**

\_\_\_\_\_  
[Redacted Signature]

\_\_\_\_\_  
Date

\_\_\_\_\_  
[Redacted Signature]

\_\_\_\_\_  
Date





# General Authorization

Borrower Name(s): **Scott and Sharon Ghio**

Lender: **Vanleeuwen, Pye & Associates DbA Mortgage Loan Services**

Property Address: **3431 Marlesta Dr, SAN DIEGO, CA 92111**

Date: **August 17, 2017**

I have contacted the Lender an/or assigns to process a Reverse Mortgage on my behalf. You are hereby authorized to release any information requested by the Lender and/or assigns to complete the processing of the loan or post-closing audit. Necessary information may include, but is not limited to, social security information, information about checking and savings accounts, all open credit account, payments and history or all open and closed credit accounts including payment records and balances. A photocopy or carbon copy of this signed authorization may be used as a duplicate original.

**Scott Ghio**

Date

**Sharon Ghio**

Date



# Acknowledgement of California Counseling Requirement

Pursuant to Cal. Civ. Code § 1923.2(k)

Date of Counseling: \_\_\_\_\_

A lender must provide a prospective borrower a list of not fewer than 10 housing counseling agencies approved by the United States Department of Housing and Urban Development to engage in reverse mortgage counseling, and a lender may not accept a final and complete application for a reverse mortgage or assess any fees upon a prospective borrower without receiving certification that the prospective borrower has received counseling from an approved counseling agency.

The certification must indicate that the reverse mortgage counseling was conducted in person, unless the borrower elected to receive the counseling in another manner.

\_\_\_\_\_ I/We hereby indicate that we elected to receive counseling in a manner other than in person (specify manner of counseling):

\_\_\_\_\_ Telephone

\_\_\_\_\_ Skype

\_\_\_\_\_ Other \_\_\_\_\_

## ACKNOWLEDGEMENT

\_\_\_\_\_  
**Scott Ghio**

\_\_\_\_\_  
Date

Address: **3431 Marlesta Dr, SAN DIEGO, CA 92111**

Telephone: \_\_\_\_\_

\_\_\_\_\_  
**Sharon Ghio**

\_\_\_\_\_  
Date

Address: **3431 Marlesta Dr, SAN DIEGO, CA 92111**

Telephone: \_\_\_\_\_

\_\_\_\_\_  
**Counselor's Name (Printed)**

\_\_\_\_\_  
**HUD-Approved Counseling Agency Name**

\_\_\_\_\_  
**Counselor's Name (Signature & Date)**

\_\_\_\_\_  
**Address (City, State/Zip)**

\_\_\_\_\_  
**Telephone Number**

*This is an addendum to the Certificate of Counseling. An electronic facsimile copy of the housing counseling certification satisfies the requirements of Cal. Civ. Code § 1923.2(k).*