How are the funds generated from a reverse mortgage distributed to the borrower?

Although some private lenders may offer different plans, generally there are five ways that a borrower can receive money:

(1) **Lifetime or Tenure:** This plan offers equal monthly payments which will be paid as long as the borrower(s) are alive and continue to occupy the property as a principal residence.

(2) **Period Certain or Term:** This plan offers the borrower(s) equal monthly payments that will be paid over a predetermined fixed period of months. The time period and payment amount is set prior to the first payment and cannot be changed. If the borrower(s) die before the end of the period, the payments will continue for the remaining period to their identified beneficiary or beneficiaries.

(3) **Line of Credit**: This plan provides for the establishment of an account that makes a predetermined amount of money accessible to the borrower at any time up until such time as the line of credit is exhausted.

(4) **Combo or Modified Tenure:** This is a combination of line of credit and scheduled monthly, or a single lump sum payment with the remainder of the funds being distributed in predetermined payments or as a line of credit.

(5) **Combo Modified Term**: This plan is a combination of a line of credit plus monthly payments for a fixed period of months selected by the borrower.

The availability of these options may vary depending on the lender.

**Planning Point: In their September 21, 2010, Mortgagee Letter 2010-34 HUD introduced the HECM Saver and established the MIP rates for both the HECM Saver and HECM Standard. The initial MIP for the HECM Saver was set at 0.01 percent and for HECM Standard at 2 percent of the maximum claim amount; the amount of MIP will continue to be 2 percent. Both are calculated on the maximum claim amount, and must be paid at the time of loan closing.**

**On both the Saver and the Standard, the MIP is charged monthly on the outstanding balance at an annual rate of 1.25 percent.**

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| --- | --- | --- |
| MIP Rates | HECM Saver | HECM Standard |
| Initial MIP | .01 Percent | 2.0 Percent |
| Annual MIP | 1.25 Percent | 1.25 Percent |