

Social Media and Training at Plaza



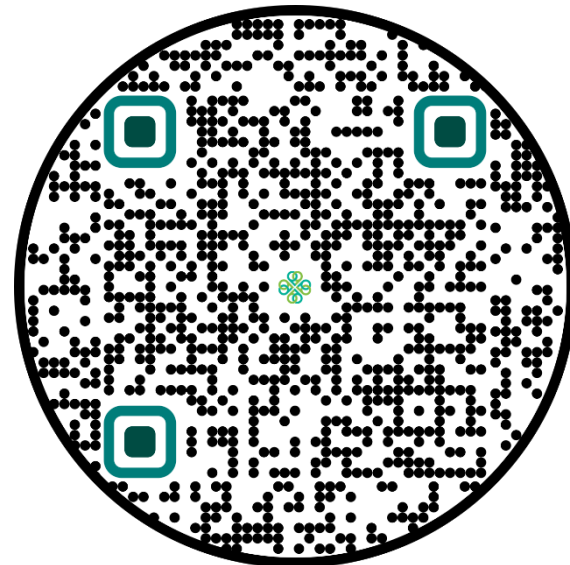
- Follow us on social media to get the latest on Plaza
- Check out our training calendar for our webinar schedule

LinkedIn



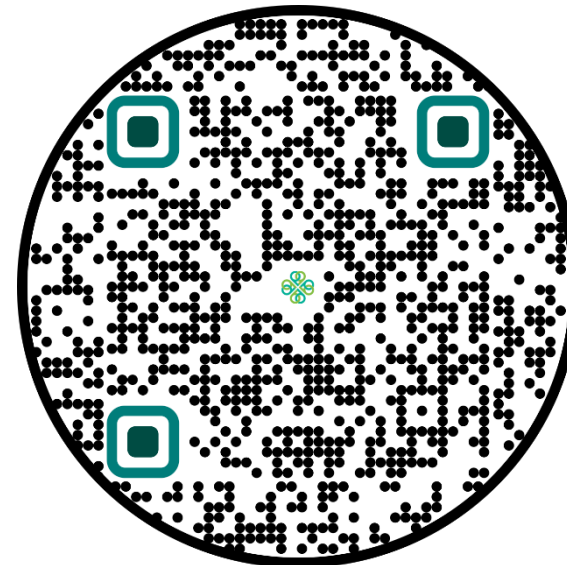
[LinkedIn](#)

facebook



[Facebook](#)

X



[X / Twitter](#)



[Training Calendar](#)



What is the Reverse Mortgage LESA?

Plaza's Loan Origination Partners

April 2025

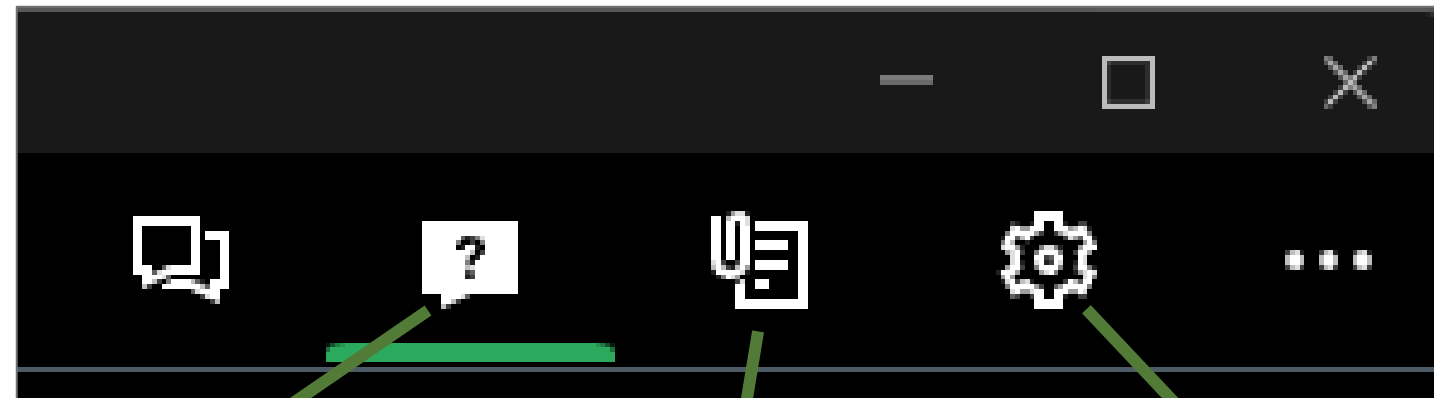
Legal Disclaimers



- This information is published and provided by Plaza Home Mortgage, Inc.® and intended for mortgage professionals only, as a courtesy to its clients and select audiences, and is meant for instructional purposes only.
- It is not intended for public use or distribution.
- None of the information provided is intended to be legal advice in any context.
- Plaza does not guarantee, warrant, ensure or promise that information provided is accurate.
- Plaza Home Mortgage is not acting on behalf of or affiliated with any government agency. Products or services described are not authored, approved, or endorsed by HUD, FHA, the government of the United States, or any federal, state, or local government agency.
- Terms and conditions of programs and guidelines are subject to change at any time without notice.
- This is not a commitment to lend.
- Plaza Home Mortgage, Inc. is an Equal Housing Lender.



Your GoToWebinar Toolbar



If you have any **questions**, please type them in here.

Click here to download any **handouts**.

Use **speakers** or a **telephone** to listen to the audio.

Presenter



Mark Reeve

VP, Reverse Mortgage Division

Plaza Home Mortgage

Agenda



LESA
(Life Expectancy
Set-Aside)

May be required if the
borrower(s) do not meet
minimum Financial
Assessment Guidelines

1. Income – Cash Flow Residual



2. Credit – Two year look back



3. Property Charges



4. REO – 12 months

LESA Definition



Life Expectancy Set-Aside (LESA)

- When the underwriter determines that a borrower has failed to pass a Financial Assessment guideline, a LESA will generally be required. A LESA is netted from a portion of the borrower(s) principal limit based upon their current property tax and hazard payments multiplied by the age of the youngest borrower's projected life expectancy.

Fully Funded LESA

- LESAs are almost always "Fully Funded," meaning the charges are paid directly by the lender. The lender sets aside the funds from the borrower's principal limit to pay property taxes, homeowners' insurance, and flood insurance (when applicable). The lender pays these charges when these bills are due, like a traditional escrow account.

Partially Funded LESA

- With a partially funded LESA, the lender sets aside funds from the borrower's principal limit to help the borrower supplement their income. The lender releases necessary funds to the borrower semi annually to fund the small gap in residual income. The borrower is then responsible for paying critical property charges.

Income Qualification



What does the calculation look like?

Documented Income - \$\$\$\$\$\$ (Assets = Asset Dissipation)

- Housing Expenses (Taxes and Insurance, HOA, Ground Rent, etc.)
- Sq. footage of subject @ .14 sq. ft.
- Liabilities from Credit Report

= Residual Income

***Cannot pay off debt to qualify

***HECM proceeds can be considered as income

Based upon the residual income figures in Family Chart, is your Residual Income Greater or Less?

Pass or Fail?

Table of Residual Incomes by Region



Family Size	Northeast	Midwest	South	West
1	\$540	\$529	\$529	\$589
2	\$906	\$886	\$886	\$998
3	\$946	\$927	\$927	\$1,031
4 or more	\$1,066	\$1,041	\$1,041	\$1,160

Region	States
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI
South	AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Set-Aside Requirements by Age – (LESA Table)



Age	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78
Years	21	20	19	18	18	17	16	16	15	14	13	13	12	12	11	10	10

Age	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95+
Years	9	9	8	8	7	7	6	6	6	5	5	5	4	4	4	4	3

Example: Husband & Wife in California



Income:

Social Security (Cannot Gross Up!)	1,750.00
Pension	450.00
Social Security	750.00
Total:	2,950.00

Liabilities:

Property Taxes	800.00
Hazard Insurance	150.00
HOA	n/a
Utility Calculation (1,500 sq ft) @ .14	210.00
Liabilities from the credit report	700.00
Total:	1860.00

Residual $2,950.00 - 1,860.00 =$	1,090.00
Pass (West, 2 Family Size)	998.00
Total:	92.00
PASS!!!!	

Family Size	Northeast	Midwest	South	West
1	\$540	\$529	\$529	\$589
2	\$906	\$886	\$886	\$998
3	\$946	\$927	\$927	\$1,031
4 or more	\$1,066	\$1,041	\$1,041	\$1,160

Region	States
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI
South	AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Example : Single Borrower (New York)



Income:

Social Security 1,750.00
Pension 450.00

Total: 2,200.00

Liabilities:

Property Taxes 800.00
Hazard Insurance 150.00
HOA 100.00
Utility Calculation (1,500 sq ft) @ .14 210.00
Liabilities from the credit report 1500.00

Total: 2760

Residual (2,200 – 2760) = - 560.00
Northeast: -540.00

Total: -1,100.00

Family Size	Northeast	Midwest	South	West
1	\$540	\$529	\$529	\$589
2	\$906	\$886	\$886	\$998
3	\$946	\$927	\$927	\$1,031
4 or more	\$1,066	\$1,041	\$1,041	\$1,160

Region	States
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI
South	AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Credit Analysis



Plaza must examine the mortgagor's overall pattern of credit behavior to determine the borrower's ability to manage their financial obligations, **not just an isolated instance.**

Minimum Satisfactory Credit:



Mortgage and Installment Debt

- No lates last 12 months
- 2 x 30 last 24 months



Revolving Debt

- 30- or 60-day lates allowed
- 3 x 90 or more last 12 months - LESA
- 1 x 120 or more last 12 months - LESA

Credit Analysis



Collections and Charge Off Accounts

- Collections w/balance & no extenuating circumstance require LESA
- Collections equal to \$2,000 or more must either be: hit w/5% monthly payment, be in payment plan or be paid off before or at closing (cannot pay with HECM proceeds)
- No seasoning on the pay-off required of collection accounts
- Charge offs w/balance & no extenuating circumstance require LESA; excluded expense analysis (payoff not required & does not eliminate LESA)

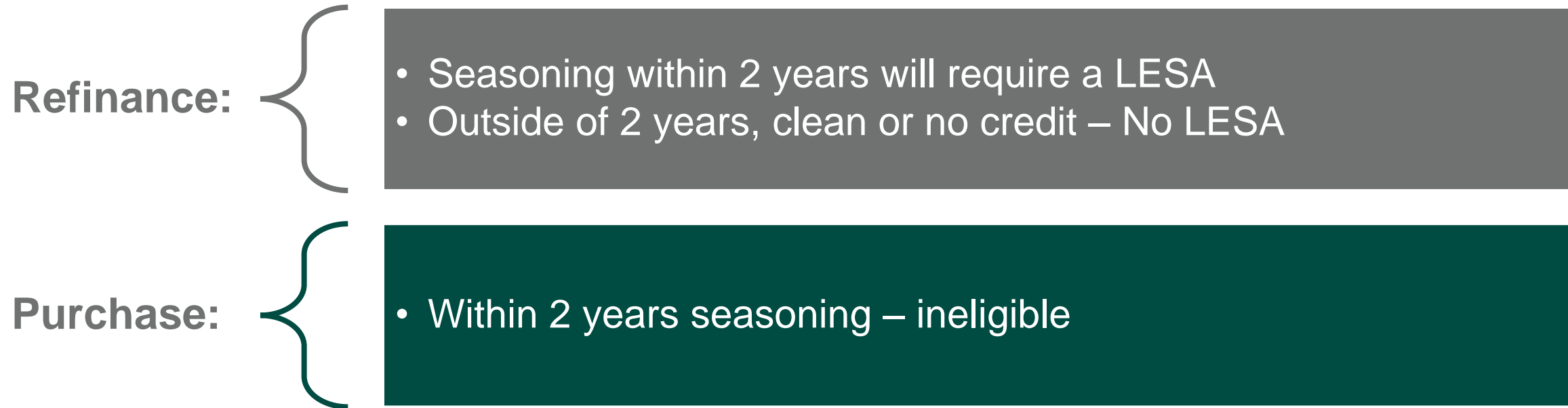
Judgements

- On Title – must be paid; typically, LESA can use loan proceeds
- Credit – must be paid or evidence of payment plan (90 days minimum)
- Federal judgements (nontax) on credit must be paid prior to application (10/8/2016)

Derogatory/Disputed Derogatory Credit w/ late payments within < 24 months

- Must provide documentation to substantiate the proof
- LOE on its own will not satisfy
- Disputed medical accounts excluded from credit analysis and residual income calculation

Chapter 7 & 13 / Mortgage Derogatories



Notice of Default, Deed in Lieu, Short Sale, & Foreclosure

- FHA: Minimum three years seasoning
- Refinance: < 2 years, LESA
- Purchase: Minimum two years seasoning to be eligible

Property Charge and Payment History



- **Property Taxes**
 - No property tax arrearages in the prior **24 months**
 - Preliminary Title Report or county print out will satisfy
 - If unable to provide proof, Plaza will order a tax cert in underwriting
- **Hazard and Flood**
 - Evidence of **12 months** of continued coverage
 - Will need a declaration page, payment history or letter from agent indicating 12 months of continued coverage
- **HOA and Other Assessments**
 - Must be paid on time for the last **24 months**
 - Statement from HOA, cancelled checks
- **Includes all REO!**
 - **12-month** history on mortgage, taxes, insurance, HOA, etc.

Most instances of LESAs conditioned in underwriting are a result of these deficiencies.
Don't forget about these!!!! These items are the biggest frustration for new Reverse Originators!

Full LESA Pay Schedule

Home Equity Conversion Mortgage (HECM) Program Amortization Schedule – Application



Borrower:		Estimated Closing Date:	
Youngest Borrower's Birth Date:		Product Selected:	Line of Credit
Estimated Home Value:	850,000.00	Initial / Expected Interest Rate:	7.510% 6.890%
Maximum Claim Amount:	850,000.00	Appreciation:	4.00%
Initial Principal Limit:	393,550.00	Ongoing Mortgage Insurance (MIP)	0.5%
Cash From Borrower	0.00	Monthly Servicing Fee:	0.00
Cash To Borrower:	0.00	Monthly Payment:	0.00
Lien Payoffs with Reverse Mortgage:	250,000.00	Initial Line of Credit:	24,796.03
Financed Closing Costs:	25,986.00	Repair Set Aside:	0.00
1 st Year Life Expectancy Set Aside:	12,750.00	Net Life Expectancy Set Aside:	80,017.97
Lender Credit	(0.00)	Beginning Mortgage Balance:	275,986.00

NOTE: Actual interest and property value projections may vary from amounts shown. Available credit will be less than projected if funds withdrawn from line-of-credit. Actual Life Expectancy Set-aside payments may increase or decrease from the amounts shown based on changes to the property charge costs. The Actual Life Expectancy Set-aside Balance may vary depending on the age of the youngest borrower, the interest rate and changes to the property charge costs. The projections are for illustrative purposes only.

Year	Age	Remaining Line of Credit	LESA Payment	Cash Advance	Service Fee	Interest + MIP	LESA Balance	Loan Balance	Home Value	Remaining Equity
0	81	24,796	0	0	0	0	92,768	275,986	850,000	574,014
1	82	26,857	12,750	0	0	23,196	87,468	311,932	884,000	572,068
2	83	29,089	12,750	0	0	26,183	81,728	350,865	919,360	568,495
3	84	31,506	12,750	0	0	29,419	75,510	393,034	956,134	563,100
4	85	34,125	12,750	0	0	32,924	68,776	438,708	994,380	555,672
5	86	36,961	12,750	0	0	36,719	61,482	488,177	1,034,155	545,978
6	87	40,032	12,750	0	0	40,831	53,582	541,758	1,075,521	533,763
7	88	43,359	12,750	0	0	45,284	45,026	599,792	1,118,542	518,751
8	89	46,963	12,750	0	0	50,107	35,758	662,648	1,163,284	500,636
9	90	50,866	12,750	0	0	55,330	25,720	730,728	1,209,815	479,087
10	91	55,093	12,750	0	0	60,988	14,848	804,467	1,258,208	453,741
11	92	59,672	12,750	0	0	67,117	3,072	884,333	1,308,536	424,203
12	93	64,631	3,197	0	0	73,625	0	961,155	1,360,877	399,722
13	94	70,002	0	0	0	79,879	0	1,041,034	1,415,312	374,278
14	95	75,820	0	0	0	86,517	0	1,127,551	1,471,925	344,374
15	96	82,121	0	0	0	93,708	0	1,221,259	1,530,802	309,543
16	97	88,946	0	0	0	101,495	0	1,322,754	1,592,034	269,280
17	98	96,338	0	0	0	109,930	0	1,432,684	1,655,715	223,031
18	99	104,344	0	0	0	119,066	0	1,551,751	1,721,944	170,193
19	100	113,016	0	0	0	128,961	0	1,680,712	1,790,822	110,110

Exceptions



Compensating Factors: Income Only

- NBS Income
- Assets to cover LESA Balance
- Proceeds from the Reverse Mortgage Loan
- Access to additional Credit (Credit Cards)

Extenuating Circumstances: Credit Related, difficult to document

- Medical
- Lost Job, now re-established.
- Life Event that is unlikely to re-occur
- Pay off Open Collection PTD (Cannot use HECM Proceeds)

Manual Underwrite:

- Plaza is looking at the overall file, not an isolated instance
- Permanent
- Possible future refinance to remove

No LESA or Tax and Insurance Set-Aside

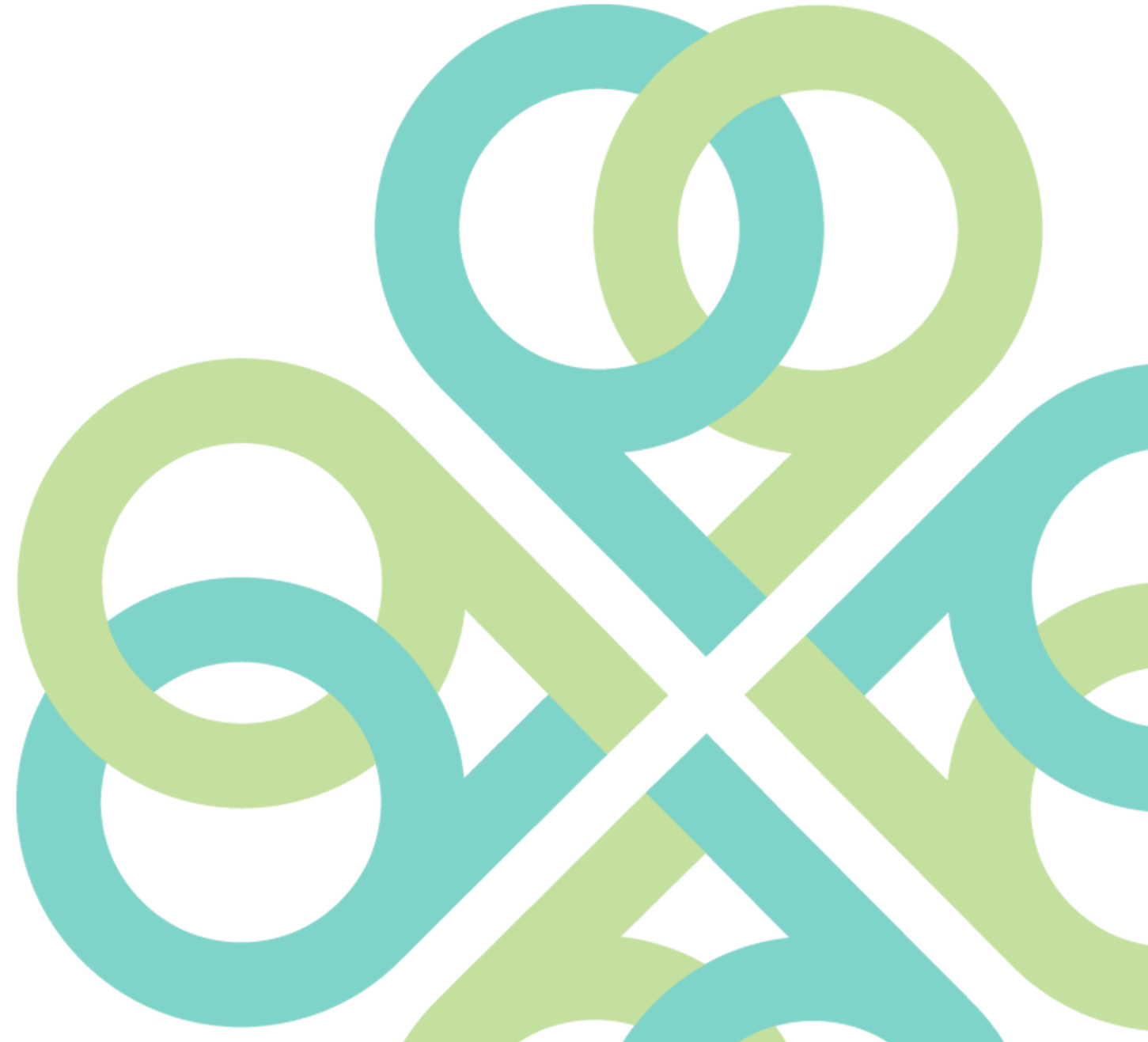


Failure to pay the following may result in the loan being called due and payable:

- Property taxes
- Homeowners/flood insurance
- Homeowners association dues
- Ground rents
- Condominium fees
- Planned unit development fees
- Other required assessments



Resources



Ready Reverse




Plaza's Ready Reverse™ is a streamlined process makes your entire reverse origination journey super simple and super quick. Here's why you'll love it:

- No set-up fees
- Speedy Pre-Quals and closings
- Webinars and videos to guide you through the process of this unique loan program
- Manage title and closing services to ensure conditions and demands are met
- Experienced guidance from our reverse mortgage pros who specialize in introducing reverse mortgages to traditional originators
- Support for compliant counseling, application, redisclosure and closing packages so you can focus on the most important thing – your borrowers!




ReadyReverse™

[Skip to Content](#)[BORROWER INFO](#)[GUEST LOGIN](#)[BROKER LOGIN](#)[MINI-CORRESPONDENT LOGIN](#)[REVERSE](#)

[WHOLESALE](#)[MINI-CORRESPONDENT](#)[CORRESPONDENT](#)[REVERSE](#)[ABOUT US](#)[CONTACT US](#)

Why Choose Plaza?

[Here's Why](#)



Plaza's Reverse Mortgage Website



Serving Reverse mortgage clients since 2008 and still going strong!



Reverse Mortgage Pre-Qual



Quick Quote Calculator



Program & Guidelines



Reverse Processing



Forms



Marketing Materials

Training Center

Bay Docs - Reverse Mortgage Software
Counseling Information
Reverse Market News

Suggested Resources





HECMWORLD.COM

Reverse mortgage news, commentary, and analysis for serious reverse mortgage professionals

FREE Weekly Content: No Paywall!

SUBSCRIBE

Weekly videos, podcasts, and blog articles

SUBSCRIBE

LISTEN ON

 Spotify

 Listen on
Apple Music

DON'T MISS OUT!

Subscribe To Our Newsletter

Be the first to get latest Reverse Industry updates and exclusive [HECMWorld.com](https://www.hecmworld.com) content straight to your email inbox.

First Name*

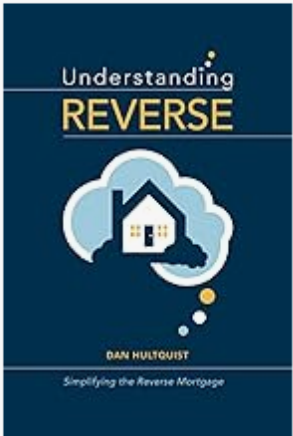
Last Name

Email*

SUBSCRIBE

*Plaza is not endorsing any third-party products or services.

Suggested Resources



Understanding Reverse: Simplifying the Reverse Mortgage

by Dan Hultquist | Feb 1, 2024

★★★★★ 13

Paperback

\$16⁹⁵

✓prime

FREE delivery **Sat, Jan 18** on \$35 of items shipped by Amazon

Or fastest delivery **Wed, Jan 15**

More Buying Choices

\$15.70 (6+ used & new offers)

Kindle

\$9⁹⁹ Print List Price: \$16.95

Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement (The Retirement Researcher Guide Series)

Part of: The Retirement Researcher Guide Series (4 books) | by Wade D. Pfau Ph.D. | Feb 24, 2022

★★★★★ 209

Paperback

\$19⁹⁵

✓prime

FREE delivery **Sat, Jan 18** on \$35 of items shipped by Amazon

Or fastest delivery **Wed, Jan 15**

More Buying Choices

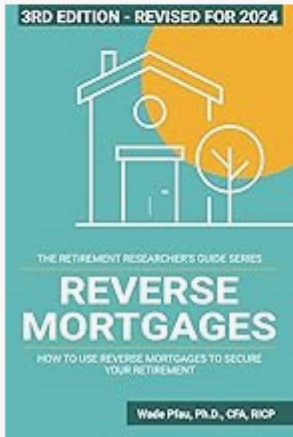
\$11.98 (9+ used & new offers)

Kindle

\$9⁹⁹ Print List Price: \$19.95

Available instantly

Great On Kindle: A high quality digital reading experience.



*Plaza is not endorsing any third-party products or services.

Don't Miss Our Other Reverse Trainings!

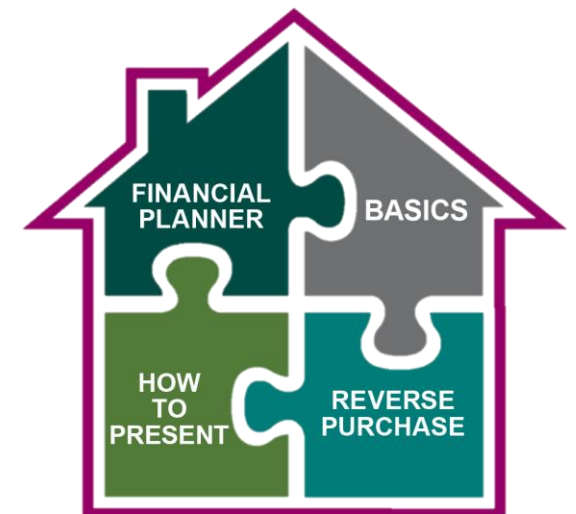


Click the links below to view the webinar recordings for our other trainings:

- [Plaza's Reverse Mortgage PreQual Borrower Counseling Package](#)
- [Reverse Mortgage Basics](#)
- [How to Use the Reverse Mortgage to Purchase a Home](#)
- [How to Present a Reverse Mortgage: The "Kitchen Table" Approach](#)
- [Originating a Reverse Mortgage with Plaza: File Flow from Start to Finish](#)
- [Financial Planners Guide to Reverse Mortgages](#)
- [The Impact of a Rising Rate Environment on Reverse Mortgages and Their Loan Amounts](#)
- [What is the Reverse Mortgage LESA?](#)

Upcoming Webinars: plazahomemortgage.com/calendar

Recorded Webinars: vimeo.com/showcase/plazareverse



Thank You for Attending!



Webinar recording, slide deck, and other resources will be emailed to you within the next 24 hours. Check your junk/spam folder if you do not receive the email.

Please let us know your thoughts on the survey form when you exit the webinar. We value your feedback!

If you have any questions or comments, please feel free to contact your Plaza Account Executive or mark.reeve@plazahomemortgage.com.