HOW DO LENDERS MAKE THEIR MONEY FROM A REVERSE MORTGAGE

1. **The Origination Fee**
2. **The Margin (The One Almost Nobody Explains)**
3. **"No Closing Cost" Offers; Where the Money Really Moves**

Every business needs to generate revenue to keep the lights on. We understand it, and so do our customers. So, in the spirit of 100% transparency, here's how lenders, including us, make money from reverse mortgages:

GREEN MONARCH
Freedom in Retirement

Green Monarch Inc.
(800) 345-2041 | NMLS # 2026203
1389 Calle Avanzado, San Clemente, CA 92673
GreenMonarch.com

EQUAL HOUSING LENDER

(800) 345-2041
GREENMONARCH.COM

1. The Origination Fee

This is what the lender charges to process and underwrite your loan. It's capped by the federal government, which is unusual and worth appreciating.

A lender may charge the greater of $2,500, or 2% of the first $200,000 of your home's value plus 1% of the amount above $200,000; with a ceiling of $6,000 regardless of how valuable your home is.[1]

If it sounds confusing, just remember, the origination fee can't be more than $6,000. So on a $2 million California home, the origination fee still cannot legally exceed $6,000. Your lender does not make more money simply because your house is worth more.

2. The Margin (The One Almost Nobody Explains)

This is the most important section on this page.

Your adjustable-rate reverse mortgage rate depends on two parts: a published market index nobody controls, and a **margin** the lender sets.

GREEN MONARCH
Freedom in Retirement

Green Monarch Inc.
(800) 345-2041 | NMLS # 2026203
1389 Calle Avanzado, San Clemente, CA 92673
GreenMonarch.com

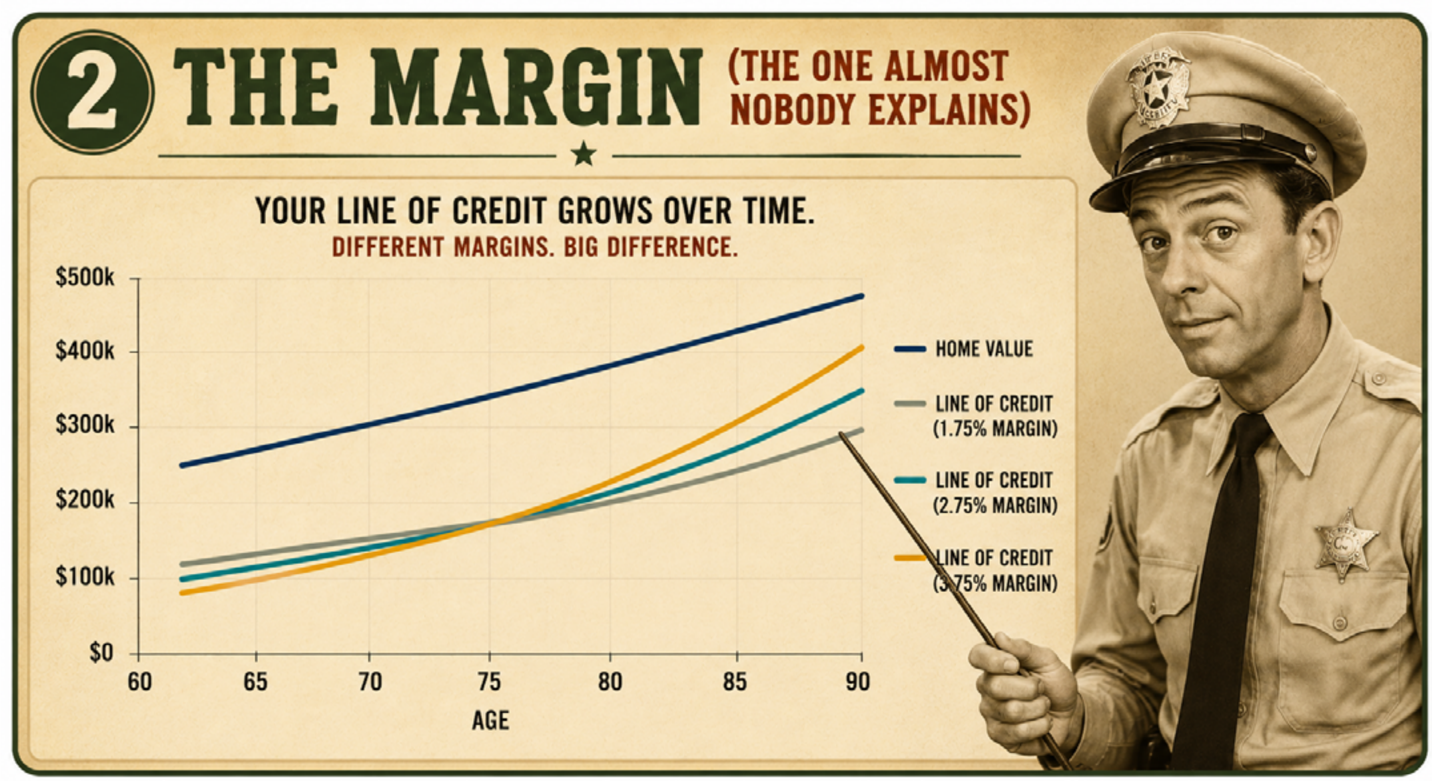
EQUAL HOUSING LENDER

(800) 345-2041
GREENMONARCH.COM

The margin doesn't change over the life of your loan and typically runs between 1.5% and 3%.

That margin is where a great deal of lender profit is present, and it compounds on your balance for as long as you have the loan.

Here's the mechanism, documented by the U.S. Government Accountability Office in its review of the HECM program. Investors buy these loans on



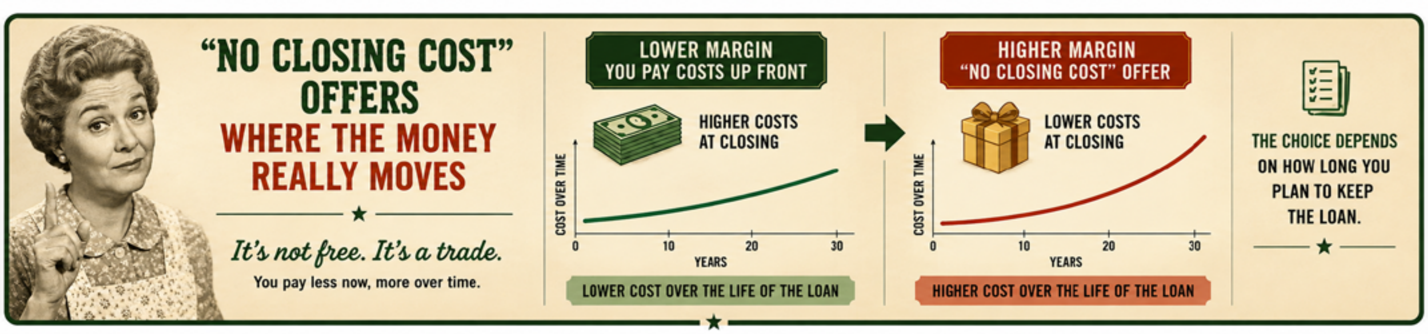
the secondary market, and GAO reported that as the price investors pay lenders for HECMs falls, the margin rate lenders charge consumers generally increases. In other words, the margin is the dial. When lenders need more revenue, that's what gets turned.[2]

Retirement researcher Wade Pfau explains the borrower-side consequence in Forbes: the margin is not an upfront cost but an ongoing one charged on your outstanding balance, and the choice of margin matters because it affects your initial borrowing power and how your principal limit grows over time. A higher margin reduces your initial principal limit, though the limit then grows faster afterward.[3]

The practical takeaway: The index is identical with every lender. The margin is the part you can actually shop. If a lender won't state their margin plainly, you've learned something important about that lender.

3. "No Closing Cost" Offers; Where the Money Really Moves

Now the part that most needs saying out loud.



You will see reverse mortgage offers advertising no closing costs, or a waived origination fee. These are real offers. They are not free.

A lender-paid closing cost structure shifts those fees into a slightly higher margin, so the net effect of "no-cost" marketing is that you pay less at closing and more over the life of the loan.[4]

Although lenders may charge up to $35 per month in servicing fees, it has become common not to charge an explicit servicing fee and instead build it into the margin.

GREEN MONARCH
Freedom in Retirement
Green Monarch Inc.
(800) 345-2041 | NMLS # 2026203
1389 Calle Avanzado, San Clemente, CA 92673
GreenMonarch.com
EQUAL HOUSING LENDER
(800) 345-2041
GREENMONARCH.COM

None of this is illegal or even improper. It's a legitimate trade; less cash now for more cost later. But it is a trade, and you deserve to be told that it's a trade rather than a gift. If you plan to hold the loan for many years, a lower margin usually beats waived closing costs. If you expect a short loan, the reverse may be true. What matters is that somebody shows you both.

The Rebate

When a lender funds your loan, they don't keep it. They sell it into the secondary market, and what they receive can exceed the loan's face value. The income of the mortgage brokers consists of the origination fee plus the premium received on the sale of the mortgage.[5]

On high-balance transactions, that premium income can be substantial.

That premium is where the rebate comes from. It's the amount the lender is willing to pay to acquire and service your loan.

And here's the part that matters most to you: the rebate can go one of two directions.

It can be applied to *your* costs, reducing or eliminating your origination fee and closing costs. Competitive lenders will rebate part of their premium to the borrower as a negative origination fee.

Or it can be retained as compensation for the broker or lender.

So Where Does the Money Actually Come From?

Your lender gets paid through disclosed fees, a disclosed margin, servicing, and the price investors pay for the loan. There are no hidden costs. Every one

GREEN MONARCH
Freedom in Retirement

Green Monarch Inc.
(800) 345-2041 | NMLS # 2026203
1389 Calle Avanzado, San Clemente, CA 92673
GreenMonarch.com

EQUAL HOUSING LENDER

(800) 345-2041
GREENMONARCH.COM

of those items appears somewhere in your loan documents. It's just that it's technical enough that you may be talked past it.

That's the gap we're trying to close.

What This Means for How You Shop

Since lender compensation is concentrated in the margin rather than the capped origination fee, remember to:

- Ask for the margin as a number. Not "our rates are competitive." The number.
- Compare margins across lenders. The index is the same everywhere; the margin isn't.
- Ask what a "no closing cost" offer does to the margin. There's always an answer.
- Ask for both structures side by side, lower margin with costs, versus higher margin without, and how each looks at year 5, 10, and 20.

GREEN MONARCH
Freedom in Retirement
Green Monarch Inc.
(800) 345-2041 | NMLS # 2026203
1389 Calle Avanzado, San Clemente, CA 92673
GreenMonarch.com
EQUAL HOUSING LENDER
(800) 345-2041
GREENMONARCH.COM

- Ask the lender directly how they get paid on your loan. A lender who gets uncomfortable at that question has told you what you needed to know.

Our Take

We make money on reverse mortgages. So does every lender you'll speak with, including the ones who imply otherwise. Pretending our interests are perfectly aligned with yours would be exactly the kind of comfortable dishonesty this library exists to counter.

GREEN MONARCH
Freedom in Retirement
Green Monarch Inc.
(800) 345-2041 | NMLS # 2026203
1389 Calle Avanzado, San Clemente, CA 92673
GreenMonarch.com
EQUAL HOUSING LENDER
(800) 345-2041
GREENMONARCH.COM

What we'd argue is this: the alignment is better than you'd expect, because our compensation is capped by the government on one side and market-driven on the other. At Green Monarch, we differentiate ourselves from the masses by being 100% transparent on how it works.

If you take one thing from this page, let it be the question. Ask any lender exactly how they are paid on your loan, and watch how they answer.

To get further details, call us at (800) 345-2041 or feel free to keep exploring our educational library at www.GreenMonarch.com.

SOURCES

1. https://www.law.cornell.edu/cfr/text/24/206.31
2. https://www.gao.gov/assets/gao-19-702.pdf
3. https://www.forbes.com/sites/wadepfau/2019/01/30/deciding-on-a-package-of-costs-for-a-hecm-reverse-mortgage/
4. https://www.consumerfinance.gov/ask-cfpb/how-should-i-use-lender-credits-and-points-also-called-discount-points-en-136/
5. https://www.mortgageprofessor.com/A%20-%20Reverse%20Mortgages/Pricing-a-Reverse-Mortgage.html