ReverseMortgages.com

HECM for Purchase Program

WHAT IS THE HECM FOR PURCHASE?

A Home Equity Conversion Mortgage (HECM) for Purchase is a reverse mortgage loan that allows homeowners age 62 and older to buy a home using a larger down payment to build the necessary equity in the home rather than using all their available assets.

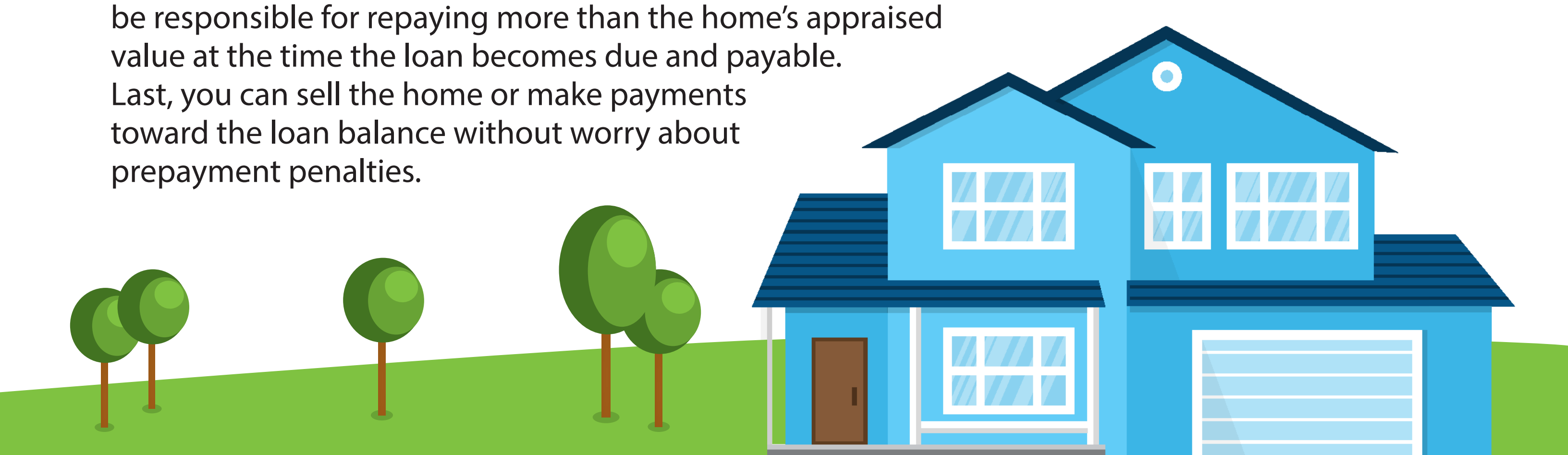
WHY WAS THE HECM FOR PURCHASE PROGRAM CREATED?

The HECM for Purchase program was created in 2009, allowing homeowners to combine the purchase of a new home (principal residence) with a reverse mortgage in one transaction. The program makes it possible for homeowners age 62 and older to move closer to family, downsize to a smaller home, such as a home on one level, or obtain homes with modifications that meet their needs, such as handrails, ramps and more.

FREQUENTLY ASKED QUESTIONS

WHAT ARE THE ADVANTAGES OF THE HECM FOR PURCHASE?

There are several advantages to the HECM for Purchase. The main advantage is that you can purchase a home without the obligation of monthly mortgage payments. If you wish, you can use proceeds from the sale of your current home to purchase your new home. You remain the homeowner with the HECM for purchase, so you must continue to pay property taxes and insurance on the home as well as maintain it. Qualifying for the HECM for Purchase also can be easier than a traditional mortgage. A poor credit score may not be a barrier to qualify. In addition, because the HECM for Purchase is insured by the Federal Housing Administration (FHA), it is a "non-recourse" loan. This means that regardless of the loan balance, you and your heirs will not be responsible for repaying more than the home's appraised value at the time the loan becomes due and payable. Last, you can sell the home or make payments toward the loan balance without worry about prepayment penalties.



HOW DO I QUALIFY?

To qualify for the HECM for purchase, you must be age 62 or older, and your new home must be your primary residence, meaning that you will live in the home more than six months per year. You must complete a required counseling session to ensure you understand the terms and obligations of a reverse mortgage, and you'll complete a financial assessment to ensure you're able to continue making payments for property taxes, homeowner's insurance and maintaining your home.

WHAT TYPES OF HOMES QUALIFY?

You can purchase a single-family home or a home in a two-to-four unit dwelling. Condominiums may qualify if they meet HUD's approval requirements.

CAN I BUILD A NEW HOME WITH THE HECM FOR PURCHASE?

No. To qualify, the home must be 100 percent complete before the homeowner applies for the HECM and when the home is inspected. For newer homes (less than a year old), a Certificate of Occupancy must be issued for the home before you apply for the HECM for Purchase.

IF I ALREADY OWN ANOTHER PROPERTY WITH AN FHA-INSURED MORTGAGE AND INTEND TO KEEP IT, CAN I GET AN FHA-INSURED HECM?

No. Homeowners may have only one property with an FHA-insured mortgage.

WHAT IS THE PROCESS FOR THE HECM FOR PURCHASE?

In the first phase of the process, your loan officer will take information to determine whether you qualify for the program. This will include information about income, assets and other real estate. The lender will ask if you intend to keep your current home or other properties. You may have a total of three properties under the HECM for Purchase: the home you're trying to purchase and two additional properties. Having more than three properties will make you ineligible for a HECM for purchase. If you are planning to keep other properties, the lender will want to know about your mortgage, property taxes, insurance and any homeowner association fees. The lender also will determine whether you are able to pay the closing costs, including the required monetary investment. You'll also complete HECM counseling. If you are buying a newly constructed home, a Certificate of Occupancy from your city is required to show that the house is ready to occupy.

Next, the lender will talk with you about expectations and obligations regarding the purchase contract, which are different from a home purchase with a traditional mortgage. With the HECM for Purchase, the seller must pay for any repairs required by FHA guidelines.* No concessions, such as seller payment of closing costs or funds in lieu of repairs, are allowed. The house may need more than one inspection if the lender requires it. The property for purchase will be appraised to ensure its value is in line with the HECM expectations.

> *HUD rules will change in September 2017 to allow sellers to pay fees that are required under state or local law to be paid by the seller as well as fees that are customarily paid by the seller under local law. Sellers may also purchase a home warranty policy beginning in September 2017.

Then the loan will go to processing and underwriting. Additional documentation may be needed to verify your ability to pay a mortgage on property you plan to keep as well as the property taxes, homeowner's insurance and any other fees, such as HOA dues for all the properties you will own. The lender also may verify again that you have funds for closing the loan that meet FHA's requirements.

The last step in the loan process is closing the loan and funding. Your lender will notify you of the closing date and time.

After the loan closes, the servicer will confirm with the lender that you will occupy the new home within 60 days of closing. You are required to occupy the home within that time period. If you're not occupying the home as expected in the loan terms, the loan may be repurchased.

WHAT ARE MY OBLIGATIONS WITH THE HECM FOR PURCHASE AFTER THE LOAN HAS CLOSED?

You must be able to pay property taxes, homeowner's insurance, any other related fees, such as HOA, and maintain the home in good condition. You must begin occupying the home within 60 days after closing. In addition, you must occupy the home as your principal residence at least six months of the year.

WHAT FUNDS CAN I USE FOR CLOSING?

At closing, you must be able to pay the required monetary investment in the home. This investment amount is the difference between the HECM principal limit and the sale price for the property as well as any fees that are not financed into the loan, less the amount of the earnest money deposit. The funds for the required investment can come from the sale of your current home, your checking or savings account or from other accounts, such as CDs or IRAs. Generally, funds should have been in your account for 90 days; however, it is possible to use funds that haven't been in your account for 90 days if you can document the source of the funds. Gift funds from a family member are acceptable as a required monetary investment if you have a letter from the gift-giver indicating that the funds are gift and not a loan you must repay.

ReverseMortgages.com, 3401 W. Broadway Business Park Ct. Ste. 213, Columbia, MO 65203
877-611-1329 | www.ReverseMortgages.com | NMLS# 1313859 | www.nmlsconsumeraccess.org