

## **HECM For Home Purchase FAQs**

**What are eligible property types?** The property must be an eligible HECM property, owner occupied single family residence, PUDs or FHA approved condos. (If you are considering a condo, call to find out if it is FHA approved first!) New construction must be fully completed, and a certificate of occupancy issued. You must occupy the home within 60 days of closing.

**What fees can the seller pay and what fees must the buyer pay?** Costs associated with the HECM loan must be paid by the buyer. Seller cannot pay pre-paid costs. Taxes and HOA dues are paid by buyer on a prorated basis. Seller can only pay transfer tax, real estate commissions, and sellers proated portions of property tax and hoa dues.

**Will a credit report need to be pulled for a non-borrowing spouse?** Yes. Although one spouse will become the HECM Mortgagor, the non-borrowers credit must be reviewed for any financial obligations that could jeopardize the HECM lien status/ clear and marketable title.

**Under what conditions may a purchase transaction be canceled?** The transaction can be canceled any time prior to the date of closing. If the borrower decides to cancel he or she must notify all parties in writing. Where earnest money has been provided, the borrower should review the sales contract to determine if the earnest money is refundable.

**At what point must reverse mortgage counseling be completed?** Counseling is Required Prior to Opening Escrow!!!  
[Request a Pre-Counseling Packet and Counselor List](#) and complete your counseling before making an offer. It is required to have the counseling certificate in the file before the loan process can begin. All borrowers, non-borrowing spouses and attorney-in-facts must receive counseling and the Counseling Certificate issued prior to opening escrow.

**Is New Construction acceptable?** As long as a Certificate of Occupancy has been issued and property ready to occupy.

**What must be included in the purchase agreement or contract of sale?**

- FHA Amendatory Clause
- FHA Real Estate Certification
- Language indicating Seller is responsible for completing and paying for required repairs prior to closing.
- A Contract of Sale, fully executed with signatures of all parties and all amendments signed and initialed. It is recommended to include a Mortgage Contingency. FHA encourages a Home Inspection conducted by a qualified Home Inspector prior to signing a sales contract. The inspection serves two purposes, to

determine the magnitude, if any, of repairs and/or rehabilitation the home as well as helps the buyer to negotiate the purchase price in situation where a home requires repair or rehabilitation.

FHA encourages a Home Inspection conducted by a qualified Home Inspector prior to signing a sales contract. The inspection serves two purposes, to determine the magnitude, if any, of repairs and/or rehabilitation the home as well as helps the buyer to negotiate the purchase price in situation where a home requires repair or rehabilitation.

**What source of funds is acceptable and what documentation is needed for the down payment?**

Seller concessions or down payment assistance is NOT allowed.

Down payment requirements are higher than traditional mortgages because there must be equity available for interest to accrue over the owner's lifetime as no monthly loan payments are required. If down payment is from bank or investment accounts, a verification of deposit along with bank statements that cover the most recent 3-month period are required on all accounts.

If a gift is being used, a gift letter, evidence of donor's ability to provide the gift from seasoned funds and evidence that funds have been transferred into Borrower's account prior to closing is required.

Ineligible Funding Sources include; credit card advances, bridge loans, personal loans, subordinate liens, loan discount points, interest rate buy downs, closing costs assistance, builder incentives, gifts or personal property given by the seller or any other party, seller concessions or financing, loans against borrower assets, down payment assistance programs are prohibited.

**What if borrowers using the HECM for Purchase for a new primary residence choose to retain their existing home as a rental property?** Lenders must ensure that they have sufficient income to:

- Maintain the costs associated with the new home financed with the HECM for Purchase (ie: taxes, insurance, maintenance);
- Satisfy the monetary investment for the HECM for purchase transaction; and
- Continue to make the mortgage payment and tax and insurance payments on the existing mortgage.

**How is the down payment determined?** The calculation is based on age of youngest borrower, current expected interest rate and the maximum claim amount or value (the lower of the actual sales price, appraised value or FHA maximum claim amount.)

## What documentation is required?

- Counseling Certificate (original—signed and dated)
- Legible copy of Social Security Card (security or medicare card)
- Acceptable Photo ID
- Proof of Age—Drivers license or senior ID
- Complete copy of Living Trust Agreement with notary acknowledgment (if your property will held in a living trust)
- Homeowners Insurance Policy (and flood policy if required)

## Maggie O’Connell ~ American Pacific Mortgage

675 Sierra Rose Drive #113 Reno, NV 89511

American Pacific Mortgage License #164 / #45747 NMLS #1850/ #279499

[Reversemortgagestore.com](http://Reversemortgagestore.com)

[Reversemortgagesofnevada.com](http://Reversemortgagesofnevada.com)

800-489-0986

