

HECM For Purchase Guidelines

The HECM for Purchase provides the opportunity to purchase a new principal residence with HECM loan proceeds in a single transaction. It accommodates the necessity to downsize to meet physical needs or to relocate closer to family members.

The property must be an eligible HECM property and must be single family residences only, no 2-4 unit properties qualify. Construction must be completed and property ready for occupancy. The borrower must occupy the home within 60 days of closing.

The maximum claim amount will be the lower of the actual sales price, appraised value or FHA maximum loan limit.

The required monetary investment is the difference between the principal limit and the sales price plus the total of the HECM closing costs and the servicing set aside amount. The borrower may provide a larger monetary investment in order to retain some HECM proceeds for future draws.

If a gift is being used, a gift letter, evidence of donors ability to provide gift and evidence that funds have been transferred into Borrower's account prior to closing or a certified check showing remitter is required.

We must Verify Funds from mortgagor. Funds for purchase must be borrower's own funds for the required monetary investment. Including cash on hand or proceeds from sale of home or assets. A verification of deposit along with original bank statements that cover the most recent 3-month period and previous month's balance are used to verify savings and checking accounts. and certified check bearing the name of the borrower can be used to verify funds from the sale of a home. A wire transfer statement showing Settlement Agent as sender and Borrower as recipient can also be used.

Earnest Money Deposit must be verified and a copy of the HUD-1 and executed Purchase Contract provided.

Ineligible Funding Sources include: gifts, 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.

Allowable Fees must be typical for the market. Costs associated with the HECM loan must be paid by the buyer. Seller cannot pay pre-paid costs. Taxes and HOA fees must be prorated. Seller can only pay the transaction costs (transfer tax, real estate commissions, title search, etc.) typically paid by the seller.

Counseling Certification: All borrowers, non-borrowing spouses and attorney-in-facts must receive counseling and the certification must reference the subject property being purchased and to be provided to the loan originator prior to opening escrow.

Origination Fee is up to 2% of the first \$200,000 and 1% thereafter of the Maximum Claim Amount subject to a minimum origination fee of \$2,000 and a maximum origination fee of \$6,000. 100% of closing costs are allowed to be financed into the loan amount.

Servicing Fee varies by Product and an amount sufficient to fund the servicing fee for the duration of the mortgage must be set aside.

A Contract of Sale, fully executed with all changes initialed must be provided. The following must be included in the Contract of sale:

- FHA Amendatory Clause

- FHA Real Estate Certification

- Contingency for a satisfactory Home Inspection conducted by a qualified Home Inspector

- Language indicating Seller is responsible for completing and paying for structural repairs that affect the safety and soundness of property prior to closing.

- It is recommended to include a Mortgage Contingency

Closing must take place in the Settlement Agent's office.

Property Flipping is not allowed and lenders must take the following additional steps to ensure that the borrower has not been coerced into obtaining a reverse mortgage:

- Confirm only current owners of record may sell properties that will be financed using FHA-insured mortgages

- Any resale of a property may not occur 90 or fewer days from the last sale to be eligible for FHA financing and;

- For re-sales that occur between 91 and 180 days where the new sales price exceeds 100% of the previous sales price, additional documentation validating property's value must be obtained.

Inter-Vivos trusts and life estate that meet guidelines are acceptable. See HUD Guide for special restrictions/ requirements.

Mortgage Insurance Premium (MIP) is required on all loans and is non-refundable.

- Initial MIP is 2% of maximum claim amount (may be financed or paid in cash)

- Monthly MIP is 1/12th of .5% (of outstanding balance) is added to principal monthly

All Title Holders must be eligible Borrowers. Borrower cannot change title to property after receiving a HECM loan.

Only one FHA Insured Loan per borrower at a time. Therefore, if any of the Borrower's existing real estate holdings are secured by an FHA mortgage, they must be paid off at or prior to closing.

This is a non-recourse loan. The borrower or their estate will never owe more than the loan balance or value of the home, whichever is less.

The following documents are required from the borrower at or soon after application:

The Contract of Sale must include:

- Amendatory/Escape Clause
- FHA Real Estate Certification
- Contingency for a satisfactory Home Inspection conducted by a qualified Home Inspector
- Language indicating Seller is responsible for completing and paying for structural repairs that affect the safety and soundness of property prior to closing.

Documentation required:

Counseling Certificate (original and signed and dated)

Verification of Social Security Card (legible copy of Social security card or medicare card)

Acceptable Photo ID

Proof of Age (legible copy)

Trust Agreement (if property is held in a trust)

New Homeowners Insurance Policy (and flood if needed)

(see required monetary investment and verification of funds for documentation of money from buyer/borrower)