

## Important Facts for Home Purchase with a Reverse Mortgage

The property must be an eligible HECM property and must be a single family residence only, no 2-4 unit properties. Construction must be completed, a certificate of occupancy issued and the property ready for occupancy.

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.

### **Reverse Mortgage Counseling is Required Prior to Opening Escrow!!!**

All borrowers, non-borrowing spouses and attorney-in-facts must receive counseling and the Counseling Certificate prior to opening escrow. Request a Pre-Counseling Packet and Counselor List before making an offer or showing homes. The property address can be filled in later. Don't let counseling delay your deal!

**New Construction:** Certificate of Occupancy must have been issued, property ready to occupy.

### **Writing the Offer**

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.

A Contract of Sale, fully executed with all changes initialed must be provided.

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

**Note: Because Reverse Mortgages have no income or credit qualification, you can have more confidence that your buyer will qualify as long as down payment and property requirements are met. But Reverse Mortgage have a longer underwriting process so please try to get a 60 day escrow (45 days minimum if counseling certificate is in hand).**

### **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 original 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 and evidence that funds have been transferred into Borrower's account prior to closing or a certified check showing remitter is required.

The maximum claim amount or value used will be the lower of the actual sales price, appraised value or FHA maximum loan limit currently \$625,500.

**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.

**Documentation required:** Counseling Certificate (original and signed and dated)  
Verification of Social Security Card (legible copy of Social security or medicare card)  
Acceptable Photo ID Proof of Age (legible copy)  
Trust Agreement (if property will held in a living trust)  
New Homeowners Insurance Policy (flood policy if needed)

**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.

*Request a pre-qualification letter!*

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