



REVERSE MORTGAGE FUNDING LLC

How HECM for Purchase can help you sell more homes

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Overview

- Traditional Reverse Mortgage
- Myths vs. Reality
- Why are you here today?
- HECM for Purchase: The Basics
- A Tale of Two Sisters
- Eligibility Requirements
- Contract of Sale
- Why embrace this now?
- *The Realtor Advantage*
- Questions



The HECM (aka Reverse Mortgage)

- Home Equity Conversion Mortgage (HECM)
- FHA-insured loan option for homeowners age 62+
 - Allows borrowers to access a portion of their PRIMARY HOME'S equity as tax-free* cash (*Not tax advice. Consult a tax professional.)
 - Funds may be taken via a line of credit, monthly payments, lump sum, or any combination
 - No monthly mortgage payments required – payments in any amount can be made at any time without penalty
 - Borrower responsible for property taxes, homeowners insurance, and property maintenance – just as with any other home secured loan
 - Debt payable upon default or a maturity event (selling of the house, moving out or passing away)
 - **Non-recourse loan**
- HECM for Purchase (H4P) came into existence 2008.



Reverse Mortgage Misconceptions Turned Upside Down



- If my client secures a Reverse Mortgage, the lender actually owns the home?
 - The lender takes the home when the last borrower dies?
 - Heirs/children hate these mortgages
-
- Aren't Reverse Mortgages for people with financial problems?
 - If my mortgage is upside down when I die, do my children have to deal with the shortfall and short sale?
 - Closing costs are excessive

NO, NO, NOT REALLY, NOT ANYMORE, NO, NOT ANYMORE

There's great opportunity in the 62+ market

Are you prepared?



²Pew Research Center, Baby Boomers Retire, December 29, 2010

³National Association of Realtors, Profile of Home Buyer and Sellers 2016



Video



What is HECM for Purchase

- An FHA-insured¹ mortgage option for home buyers age 62 and older
- Required down payment approximately 50% of the purchase price depending on buyer's age(s)². Remaining funds come from the HECM loan.
- Property must be primary residence and meet FHA property guidelines
- Borrowers own the home with only their names on title
- Borrower must keep current with property taxes, homeowners insurance, HOA or Condo fees, and maintenance for the loan to remain in good standing
- National Maximum Claim Amount - \$625,500
- **Non-recourse Loan: Neither buyer nor estate personally liable for the debt.**

¹ This material has not been reviewed, approved or issued by HUD, FHA or any government agency. The company is not affiliated with or acting on behalf of or at the direction of HUD/FHA or any other government agency.

² Assumes closing costs will be financed into the loan. Actual down payment amounts may vary based on interest rate, age and other factors, including national geographic location.



3 ways to purchase a home

	1 ALL CASH	2 TRADITIONAL MORTGAGE	3 HECM for Purchase (H4P)
Why?	<ul style="list-style-type: none"> Buyer owns the home free and clear 	<ul style="list-style-type: none"> Option to make a minimum down payment and limit upfront investment Builds equity as they pay down the loan 	<ul style="list-style-type: none"> Flexible repayment feature: Monthly principal and interest payments are optional.* Gives buyer the ability to buy the home they really want Allows buyer to keep more assets to use as they wish
Why Not?	<ul style="list-style-type: none"> Ties up a large portion of their money 	<ul style="list-style-type: none"> Monthly mortgage payments diminish their cash flow 	<ul style="list-style-type: none"> The buyer's equity in the home decreases if principal and interest payments are deferred, as the loan balance increases over time due to interest. Requires a larger down payment than the traditional mortgage option

*Borrower must keep current with property-related taxes, insurance and maintenance as part of their ongoing loan obligations. Repayment is required once they sell the home or no longer live there as their primary residence.

H4P down payment requirements

For example:

Purchase Price		\$350,000	\$400,000	\$425,000	\$450,000	\$500,000
Age		<i>Cash required*</i>	<i>Cash required*</i>	<i>Cash required*</i>	<i>Cash required*</i>	<i>Cash required*</i>
	62	\$180,498	\$205,893	\$218,666	\$231,398	\$256,829
	67	\$169,298	\$193,093	\$205,066	\$216,998	\$240,829
	71	\$159,848	\$182,293	\$193,591	\$204,848	\$227,329
	75	\$148,998	\$169,893	\$180,416	\$190,898	\$211,829

*The amounts displayed are for illustrative purposes only. Actual down payment amounts may vary based on interest rate and other factors. Please contact us for details about credit costs and terms.

Benefits of H4P to Clients

- Buyers age 62 or older can right-size, move closer to family, move to a lower-maintenance community, or finally buy their dream home (possibly while maintaining another)
- Can keep a significant portion of their cash outside of the home and more easily accessible.
- Allows customers to afford the upgrades and features they want or need



Identify a fit for your client -- if you hear...

- I am a cash buyer with limited flexibility
- I cannot have any (or can only have a small) monthly payment
 - Traditional financing failed
- I have not been able to find the home of my dreams within my price range
- I am thinking of keeping (or buying) my other home as a vacation home but the “extra payment” is making me hesitate
- I won't have access to the all the cash needed until I sell my current home.

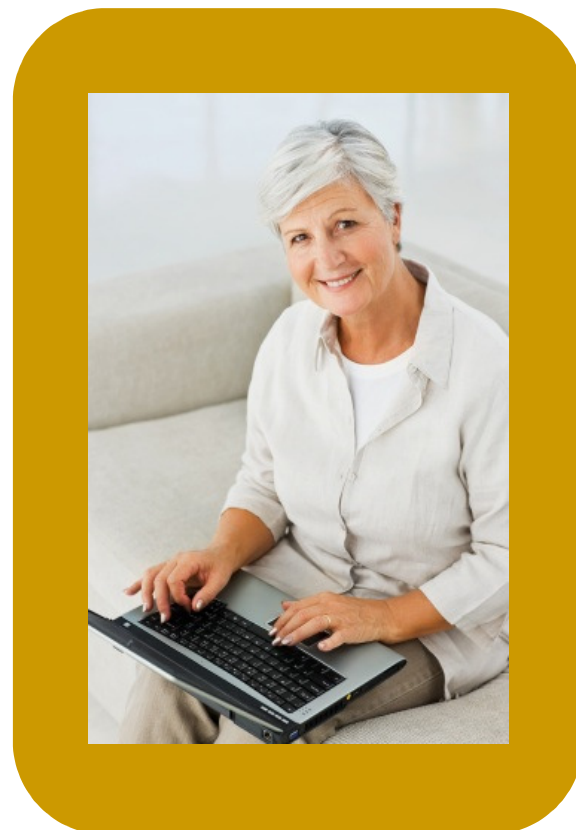


A Tale of Two Sisters – Real Life Scenarios

Right-Size



New Construction/Upgrades



A Tale of Two Sisters

Twin #1 Right-Size



Client is 67, has \$200K from sale of prior home and knows she wants H4P

- Purchase Price – \$350,000
- Down Payment Required:
\$169,298

Result:

- Purchases \$350k home with all necessary amenities and no monthly mortgage payment and has cash left over

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A Tale of Two Sisters

Twin #2
New Construction



Client is 67 and has \$300K and wants no mortgage, NONE

- Expected Purchase Price – \$275,000
- Hates everything she sees; asks you about rentals
- You suggest H4P

Results:

- Builds home with desired upgrades totaling \$350K. Puts \$169,298 down
- No monthly mortgage payment.
- Has over \$100K extra cash for portfolio or anything else
- Your commission based on \$350k, not \$275k nor a lease contract

Borrower/Property Eligibility

- Must be at least 62 years of age
- Home must be their primary residence
 - Buyer must meet HUD’s credit and income guidelines. They must be able to keep current with paying property taxes, homeowners insurance, HOA fees (if applicable), and maintenance.
- Buyer must have approximately 50%* down payment from a HUD-allowable source. Typically, down payments come from:
 - Proceeds from the sale of their current home
 - Money saved for at least 90 days from their checking, savings, CDs, investment accounts, retirement accounts, etc.
 - Gifts from a family member are acceptable for the entire amount
 - Down payment cannot be borrowed
- Counseling by HUD-certified counselor must be done prior to application
- Ineligible Properties include non-FHA approved condos, co-ops, all manufactured homes pre-June 15, 1976 and manufactured homes post June 15, 1976 without affixed certification labels

**Percentage based on age of youngest borrower, expected interest rate and home value. Assumes closing costs will be financed into the loan.*



Contract of Sale

- A fully executed contract of sale MUST be provided before loan submission
- The contract must include:
 - Amendatory Clause/Real Estate Certification
 - Contingency for home inspection
 - Language that includes seller will be responsible for safety and soundness repairs prior to closing
 - No seller or builder or realtor concessions whatsoever
 - Mortgage Contingency
 - Contingency for sale of existing residence (if necessary). Sale contingency is mandatory for existing homes with FHA financing

**Percentage based on age of youngest borrower, expected interest rate and home value. Assumes closing costs will be financed into the loan.*



Why NOW is the time to embrace HECM for Purchase

- Increased HECM program *awareness* of home buyers
- Increased HECM program *acceptance* due to education efforts, positive press, and program changes enacted by HUD in 2013 and again in 2015, making it stronger and more sustainable
- Increased HECM program awareness and understanding by financial professionals who guide buyers in this age group
- HECM 4 Purchase will change how baby boomers purchase their homes and relocate for retirement.
- Traditional loan more difficult to qualify
- Florida = Seniors



The Realtor Advantage

- ✓ The HECM Purchase will separate YOU from the competition (bring in buyers you wouldn't otherwise)
- ✓ MORE SALES and possible increased average sales price (and higher commissions)
- ✓ Overcome the “I need to wait till I sell my existing home”
- ✓ Friends for life; referrals of family and friends
- ✓ Because you care...



Questions?

Contact me at anytime to learn more about how the H4P program can help you sell more homes:

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