

THE FEDERAL SAVINGS BANK



The Power of Purchase HECM Empowerment

now home
freedom **choice**
Purchase must
HECM **truth**
safety **power**
process qualify



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The Power of...Purchase

Important Facts for Home Purchase with a Reverse Mortgage

The HECM for Purchase program allows buyers age 62 and older to buy more home for their money, with no monthly mortgage payment required. Eligible HECM properties include:

- Single Family Residences
- FHA Approved Condos
- Qualified Manufactured Homes

The property must meet FHA flipping guidelines. Additionally, the transaction cannot be between family members or a related third party (must be an arm's length transaction).

HECM Counseling is Required Prior to Opening Escrow

All borrowers, non-borrowing spouses and attorney-in-facts must receive counseling and have signed the counseling certificate prior to opening escrow. A counseling certificate is good for a period of 180 days from the date counseling is completed. Potential borrowers are encouraged to complete HECM counseling while shopping for a property. Request a pre-counseling packet and counselor list before home shopping. The property address on the counseling certificate will be the borrower's current address and will be corrected to reflect the subject property address once the loan application is in process.

Writing the Offer

The following items must be provided:

1. Fully Executed Sales Contract (executed by all parties)
2. FHA Real Estate Certification (executed by all parties)
3. FHA Amendatory Clause (must be dated on the contract date and executed by all parties)
4. Property Condition Disclosure must be completed by seller and generally acknowledged by buyers. If you reside in California, the Real Estate Transfer Disclosure Statement (TDS) is required. If you reside in Nevada, the Seller's Real Property Disclosure Form is required.
5. Any inspections that are included in the contract will have to be provided to the lender. The HECM loan only requires the FHA appraisal.
6. Language indicating the seller is responsible for completing and paying for any repairs prior to closing. Repairs include those that will affect the soundness and security of the property or threaten the health and safety of the homeowner (as called out on inspection reports). 'As is' descriptions of properties with deficiencies are not allowed.
7. Fees required to be paid by the seller are determined by state and local law and what is customarily paid by a seller and buyer in the subject property locality. Seller concessions, lender concessions, or down payment assistance is NOT allowed.

PURCHASE

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Down Payment






Down payment requirements are higher than traditional mortgages because there must be equity available for interest to accrue.

Verification of Funds for Down Payment:

- **Bank or Investment Account** - A verification of deposit, plus most recent 2 months bank statements (all pages) are required for all accounts.
- **Gifts** - If funds will be gifted, the following are required: gift letter (banker will provide), evidence of the donor's ability to provide the gift, and evidence that funds have been transferred into the borrower's account or a certified check/wire transfer to escrow account.
- **Funds from Sale of Existing Property** – Copy of the Final HUD-1 settlement statement or Closing Disclosure from that transaction and a copy of the cashier's/certified check or wire transfer showing the borrower's name as receiver and settlement agent as sender.
- **Ineligible Funding Sources Include** - Credit card advances, bridge loans, personal loans, subordinate liens, new loans against other REO, builder incentives, loans against borrower assets, loan discount points, interest rate buy downs, closing costs assistance, gifts or personal property given by the seller or any other party, seller concessions or financing, down payment assistance programs are prohibited.

Note: Borrowers are only allowed one FHA insured home at a time. Therefore, if any of borrower's existing real estate holdings are secured by a FHA mortgage, they must be paid off at or prior to loan closing.

Purchase More Home with a HECM!

 65 Year Old Cash Buyer				
New Purchase Price with a HECM	\$160,000	\$320,000	\$480,000	\$680,000
				
Purchase Price without a HECM	\$100,000	\$200,000	\$300,000	\$425,000

PURCHASE