

HECM FOR
PURCHASE

INTRODUCING THE HECM FOR PURCHASE FOR REALTORS



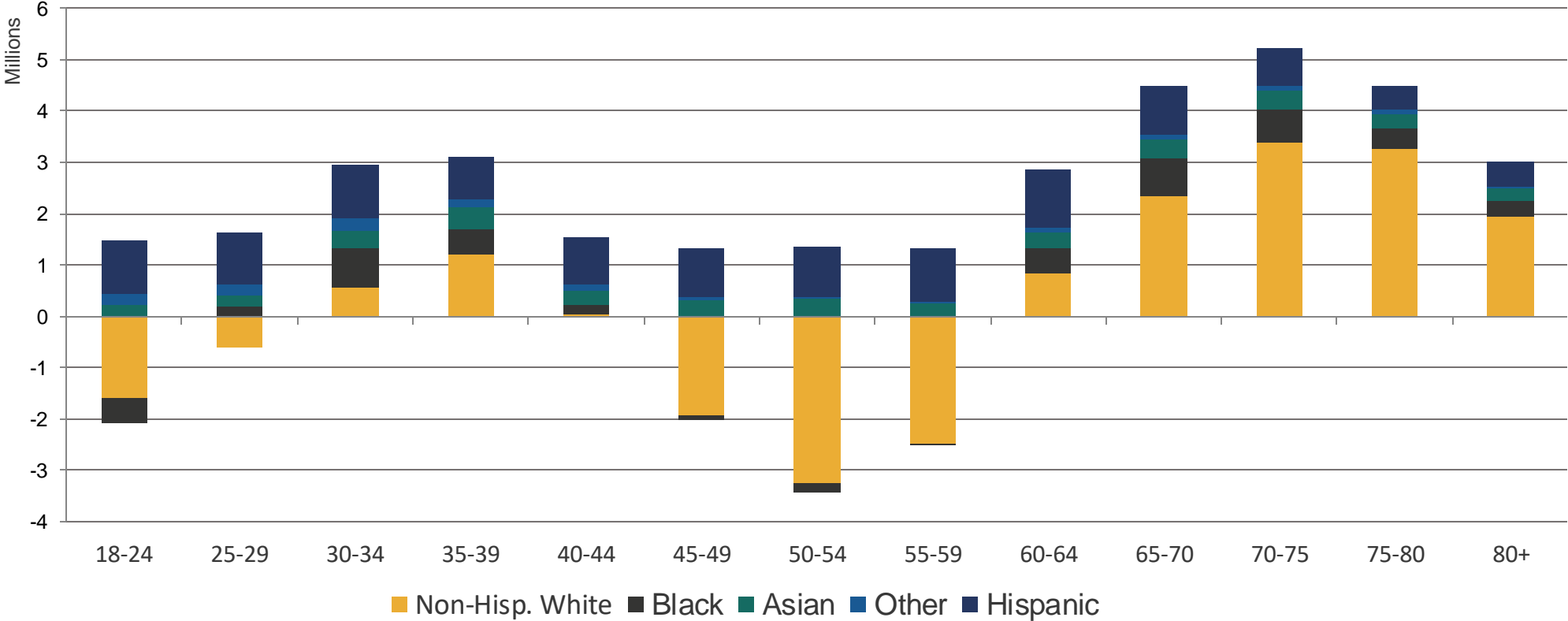
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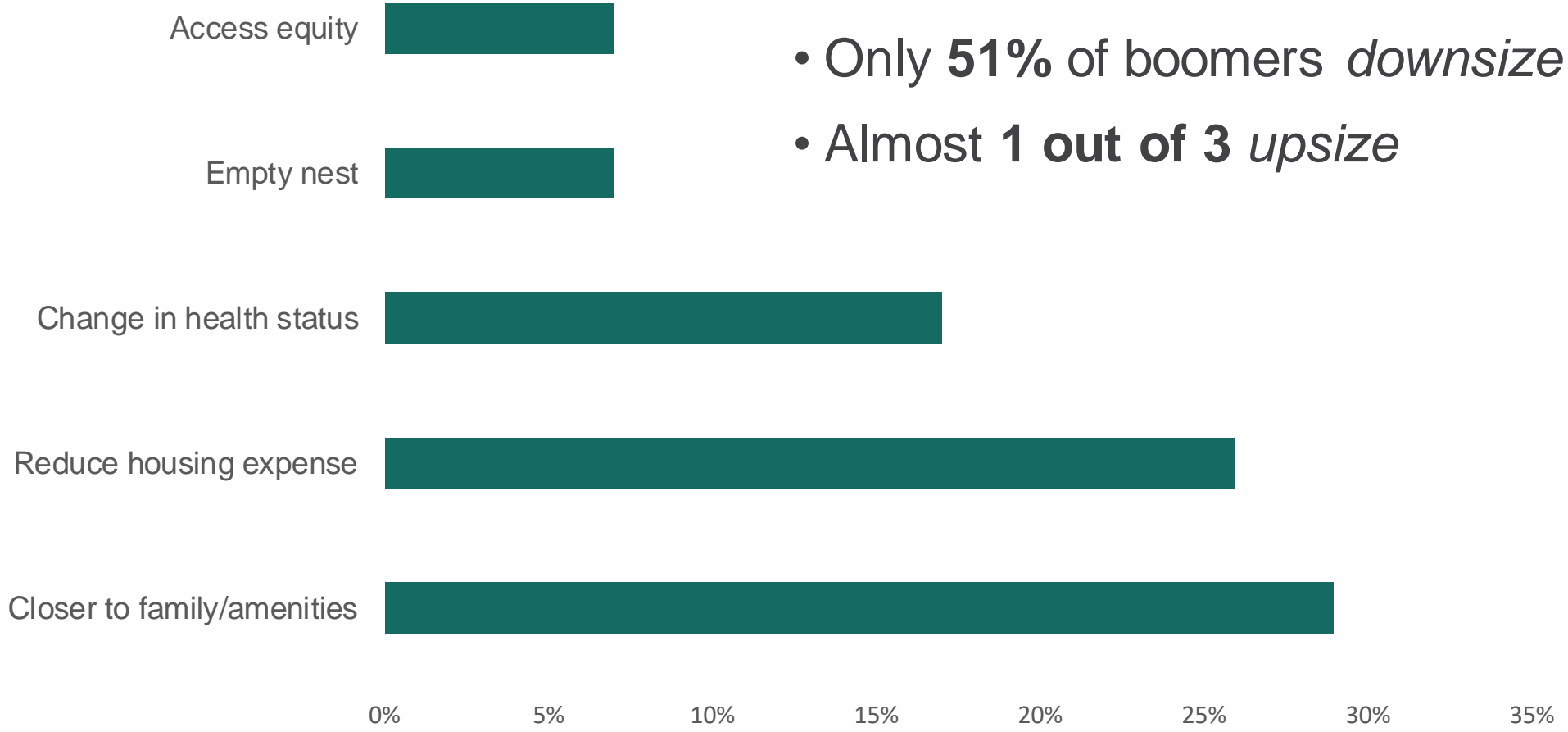
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CHANGES IN POPULATION A GLANCE AT THE MARKET

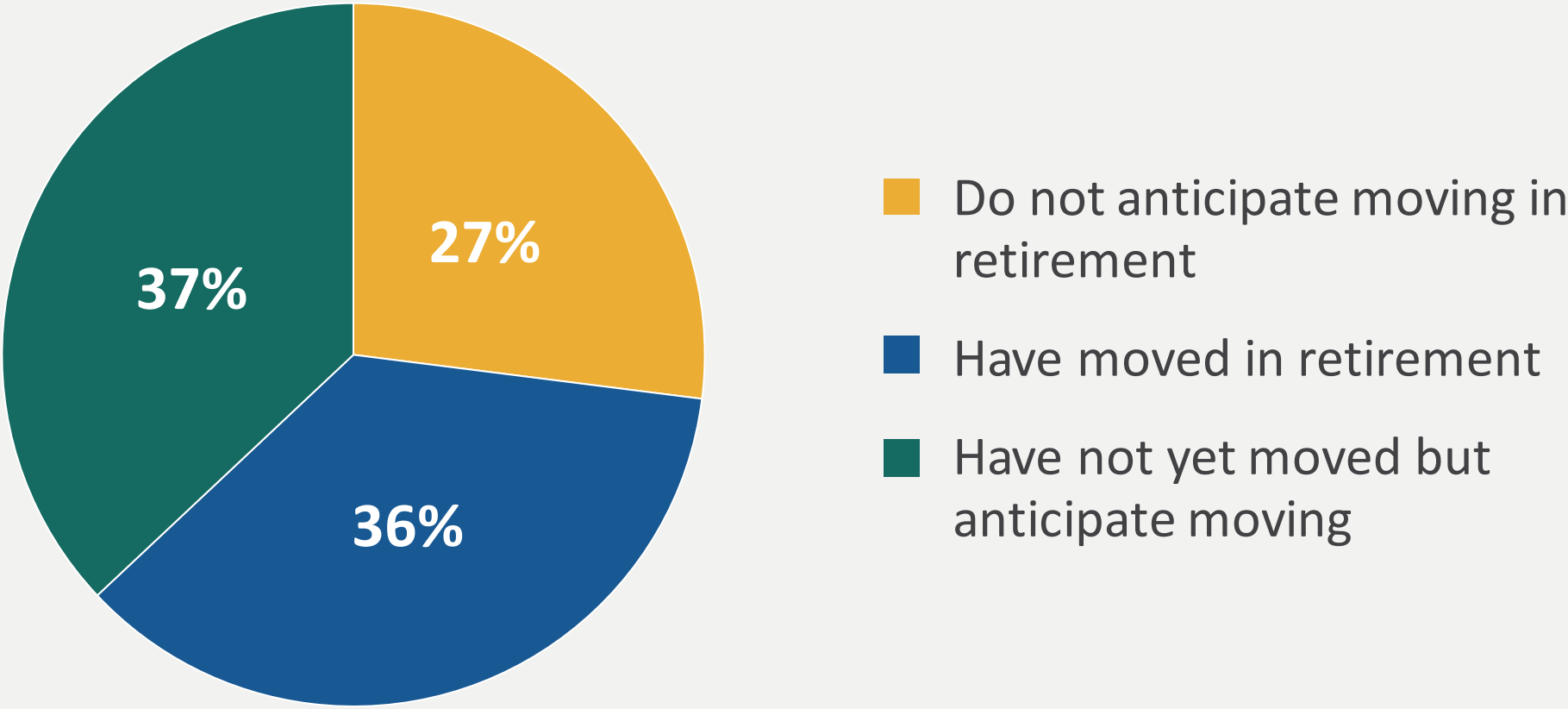


WHY DO BOOMERS MOVE?



- Only **51%** of boomers *downsize*
- Almost **1 out of 3** *upsizes*

HOW MANY RETIREES ANTICIPATE MOVING IN RETIREMENT?





WHAT IS A HECM?

A Home Equity Conversion Mortgage

1. Most popular reverse mortgage > 95%
2. Insured by the full faith and credit of US Government
3. Regulated by the Federal Housing Authority (FHA)
4. A non-recourse loan

*Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.



SPECIAL FEATURES OF A HECM

1. Payment deferred until permanent moves from home or fails to meet loan obligations, which include the need to remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.
2. Must live in home for at least 6 months a year
3. Available to homeowners 62 or older
4. Liability limited to home value
5. Lender cannot cancel, freeze or reduce
6. FHA loan limit of \$1,149,825

WHY SUCH A BAD REPUTATION?

Generally misunderstood: 4 misconceptions*

1. Never give up title: Bank does not get the house
2. Never owe more than home value, any remaining equity belongs to homeowner or estate
3. Never have to move, even if all the money is used
4. Never have to make a payment on principal/interest

*Until the last homeowner dies, moves or sells. Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.





WHAT HAPPENS AT THE END OF LOAN TERM

- No assets other than the home will be used to repay the debt
- Owe less than the value- equity remains

If your heirs desire to keep the home, they won't have to pay more than the loan balance or 95% of the appraised value of your home, whichever is less

REVERSE MORTGAGE LOAN PURPOSES FOR REAL ESTATE PURCHASES

- ☑ Move up, move down— right size!
- ☑ Purchase 2nd home or investment property*
- ☑ Gifting to family or donating to charitable organizations*
- ☑ Selling a home with a reverse mortgage lien
- ☑ Eliminate a mortgage payment (Reverse mortgage borrowers must remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.)

*The property subject to the reverse mortgage must be the primary residence of the borrower.

HECM FOR PURCHASE

WHAT IS THE HECM FOR PURCHASE?

Seniors 62 or over are able to purchase real estate by combining a down payment with a reverse mortgage at the closing table and have no monthly mortgage payment.*

*Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.



ELIGIBLE PROPERTIES

One-to-four-unit properties

- Manufactured homes - double wide built after June 15, 1976
- Condos - Must be FHA approved
- PUDS
- Townhouses
- Properties held in a living trust

SELLER CONCESSIONS



- Interested party contributions allowed up to 6% of sales price
- Concessions not allowed to be an inducement to purchase (upgrades, decorating allowances, personal property, etc.)
- Sellers can pay the following (not subject to the 6% IPC):
 - Owner's title insurance
 - Home warranty
 - Fees required to be paid under state or local law
- If home inspection is listed on the purchase contract, a copy of the home inspection must be provided to lender for review and any safety issues must be fixed.



WHO CAN SELL?

- Trusts – Trustees
- Will- Personal Representative or Executor

HECM FOR PURCHASE WITH NEW BUILDS

- ☑ Prequalification will take place up front and a letter will be provided
- ☑ Application can be completed on a new build prior to the certificate of occupancy being finalized
- ☑ More shoppers can become home buyers
- ☑ Potential increase in sales, purchase price, and add-ons
- ☑ More upgrades and add-ons can be purchased through the loan
- ☑ Better builder and realtor relationships



LET'S SEE HOW IT WORKS EXAMPLE 1

Couple Both Age 62

- Recently sold their home and net proceeds were **\$400,000**
- They have no other assets
- Desire a home near children, grandchildren and doctors
- Find a townhome listed at **\$500,000**
- They want to pay cash, and do NOT want a mortgage

Note: they do not have enough money to pay cash for the townhome.

SOLUTION - EXAMPLE 1

- Max loan amount available to purchasers is **\$156,000** - based on buyers' ages
- Buyers can bring as little cash as **\$344,000** to closing
- Leaves them with no monthly mortgage payment* AND **\$56,000** from the sale of their home
- They now have a more secure financial situation
- **Which picture would you want to present – let's find a lower-priced home that you don't really want OR find a home that fits your needs, never have a monthly mortgage payment*, and have \$56,000 in the bank?**

Example shown is for illustrative purposes only. Actual down payment amounts may vary based on interest rate, borrower age and other factors. This range assumes closing costs will be financed into the loan. Closing costs include an up-front mortgage premium of the property value as well as other closing costs such as an origination fee, title insurance, appraisal fee, credit report fee and recording costs. *Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.

LET'S SEE HOW IT WORKS - EXAMPLE 2

- Buyers, age 70, have home listed for **\$700,000** and will net **\$485,000** after fees, etc.
- Have only **\$215,000** in savings
- Interested in a new construction ranch, near children **\$485,000** – want no monthly mortgage payment*
- Home is not selling. You recommend dropping the price by \$10,000 – that means they would net **\$475,000** and would have to dip into savings to pay cash
- They balk at the recommendation and the house sits on the market or –
Offer a solution!

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SOLUTION - EXAMPLE 2

- HECM for Purchase will provide up to **\$175,411** purchase dollars
- Buyers can bring as little as **\$309,589** to closing
- They can say “yes” to your recommendation, sell the house quicker
- They can purchase the new construction sooner
- They could have a much improved financial situation
- They will have **\$390,411** cash in savings, after selling their house for **\$700,000** and buying the new home

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NEXT STEPS

- Identify clients you're working with or have worked with in the past
- Allow us to illustrate how this would look for a client moving forward
- Sit down with us to formulate a marketing plan to implement a boomer focus into your business

ANY QUESTIONS?



Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.

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