



HECM for Purchase Job Aid

Courtesy of Remarkable Reverse Mortgage 720-206-4539

Important Steps in the Process

For existing properties:

Step 1: Write the purchase contract.

Step 2: Borrower Counseling.

Note: Counseling could occur before or after the contract is written.

How is a HECM for Purchase different from a Forward FHA Purchase?

- **New Construction:** The Lender may take the initial loan application prior to the receipt of the certificate of occupancy and may take the initial application either prior to or after the completion of HECM counseling
- No escrow holdbacks for unfinished items are allowed.

How is a HECM for Purchase different from a Traditional HECM?

- No repair set asides allowed, regardless of the repair item. All repairs must be completed prior to closing by the seller. The seller is not permitted to credit the buyer or reduce the purchase price for any FHA required repairs they do not wish to complete.



- If borrowers are retaining their current residence after closing of the subject, they must document sufficient income to offset the property charges i.e. mortgage, taxes, insurance and HOA dues, on the purchase property as well as any other real estate owned.
- There are credit qualifications to consider. With a **Chapter 7** bankruptcy it has to have been discharged 2 years. On a **Chapter 13** bankruptcy, 12 months or greater on the payout, all payments made on time, approval from court required.
- Where there is a borrower that does not reflect acceptable credit, then non-traditional or alternative credit must be developed (see alternative credit guidelines).
- The Principal Limit calculations are the same as on the Traditional HECM. The borrower is required to make a monetary investment, which is the difference between the HECM loan and the purchase price.



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Is there anything

unique I need to be aware of for origination?

Borrower's current address must be indicated as current address/ mailing address on Loan Application (1009) and be used as current address when pulling credit.

Borrower's current address may reflect as property address on the HECM Counseling Certificate only if they were not under contract on subject property at the time of counseling.

If they were under contract, the property address on the HECM Counseling Certificate must reflect as the subject property.

What fees are NOT allowed to be paid by the seller?

- The seller is not allowed to pay any fee, closing cost or prepaid on behalf of the buyer. Most notably, the following items are NOT allowed to be paid by the seller unless typically paid by seller in the subject market or required by local/state law.
 - Lenders Title Insurance
 - Owners Title Insurance
 - Buyers portion of T&I and HOA
 - Deed Transfer Tax (can be split 50/50)
 - Termite inspection
 - Escrow Fee (cannot be split 50/50)

What documentation is required on a HECM for Purchase?

- Contract and Disclosures:
 - Fully executed **Purchase Contract**, including all Exhibits, Addendums and Counter Offers. (It is acceptable for the purchase contract to have electronic signatures from the seller and real estate agents involved in the transaction.)
 - Fully executed **FHA Amendatory Clause and Real Estate Certification** disclosures. (Found in RV application package)
 - Fully executed HECM for **Purchase Occupancy Affidavit** disclosure (Found in RV application package)
 - Fully executed **Important Notice to Homebuyers** (HUD-92900-B) disclosure.(Found in RV application package)
- Income and Assets:
 - Evidence of cleared Earnest Money deposit, along with 2 months bank statements to source and season funds used for Earnest Money.
 - Two months bank statements to source & season all funds used for closing.
 - **Acceptable Funds:** Verification of Deposit, 2 months account statements, Final Executed HUD-1 for real estate sale proceeds and gift funds.
 - **Funds Not Allowed:** Bridge Loan, Subordinate liens, personal loans, cash withdraws on credit cards and seller financing.
- Occupancy:
 - Clear explanation & documentation supporting borrower's current residence.
 - If listed for sale, need copy of MLS Listing.
 - If selling prior to closing, Est. HUD 1 prior to docs & Final HUD 1 PTF.



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Is there anything unique I need to be aware of for closing?

- The Close of Escrow (COE) date must be a **minimum of 15 business days** from the date of **loan submission** to AAG.
- Please allow closing to have a minimum of 48 hours to complete the file review and communicate with title regarding the closing.
- For Loans in Texas please allow 48-72 hours to complete the file review for closing. This gives time to have docs reviewed by the Attorney.
- If a loan is submitted to Underwriting with less than 15 business days for COE then the Underwriter will condition for an addendum to the contract extending the COE date.



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