



Reverse Mortgage Product and Underwriting Overlays			
Loan Parameter	HECM Fixed (Standard)	HECM Fixed (Saver)	Variable Rate HECM
Youngest Borrower Age	62 years and above		
Occupancy Allowed	Owner Occupied Primary Residence		
States Allowed	All States with the following exceptions: Wholesale: Not allowed in IL. Not accepting loans in MA, MO, NC, RI. Correspondent: Not allowed in IL. Not accepting loans in RI. Note: Special Interest or Pricing for IN, OH, MI, PR may apply		All States with the following exceptions: Wholesale: Not allowed in MA, MO, NC, and RI. Correspondent: Not allowed in RI.
Property Type	1-4 Unit, Condos, Manufactured Homes (Single Wides NOT allowed), PUDs Note: Special Interest or pricing for unapproved condos, rural properties, Manufactured Homes and Log Homes may apply		
Counseling Requirement	HUD Approved HECM Counselor		
Loan Purpose Allowed	Purchase and Refinance Note: HECM Purchase is not allowed on TX and MA		
Minimum Credit Score	Not Applicable		
Min. Loan Amount	\$20,000		
Max. Claim Amount	\$625,000 Note: For HECM Purchase it is the lower of the \$625,000, the Appraised Value and the Purchase Price		
Available Margins	Refer to our current Rate Sheet for the best rates and margins.		
Subordinate Financing	NOT Allowed		
Property Vested in Trust	Allowed – Must meet HUD guidelines		
Acceptable Type of Ownership	<ul style="list-style-type: none"> - Leasehold (lease for no less than 99 years that is renewable, or under a lease having a remaining term of not less than 50 years beyond the 100th birthday of the youngest borrower) <ul style="list-style-type: none"> - Life Estate - Fee Simple 		
Tradelines	NA		
BK	If the borrower is involved in an active bankruptcy at the time a HECM is being originated, approval from the Trustee must be obtained in order to proceed.		
Appraisal Order	Must be ordered by Brown Investor or through Brown Investor approved Appraisal Management Companies.		
Special Appraisal Guidelines	Should be FHA approved at the time of assignment and Completion of the appraisal. Should not be in the Brown Investor Appraiser Exclusionary List		
Repair Set-asides	Allowed		
Discount Points	Not Allowed		
Special Fees	No UW Fee. Only a Doc fee of \$100 (\$200 Texas)		

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<p>Repairs</p>	<ul style="list-style-type: none"> - Brown Investor would provide the client with the required repairs as needed by the appraiser. - The client would need to confer with the borrower if the repairs would be done prior to closing or as a set-aside after the closing of the loan. - Where major property deficiencies threaten the immediate health and safety of the homeowner and/or jeopardize the soundness and structural security of the property (including mold and strapping of the water heater), the repairs must be completed prior to closing. - All CIRs or 1040s Appraisal Update for confirmation of completion of repairs would be ordered by investor prior to closing. 	
<p>Origination Fees</p>	<p>The loan origination fee limit will be the greater of \$2,500 or two percent of the maximum claim amount of the mortgage, up to a maximum claim amount (MCA) of \$200,000, plus 1% of any portion of the maximum claim amount that is greater than \$200,000. The total amount of the loan origination fee may not exceed \$6,000.</p>	
<p>Cash Out on Short Pay-Off</p>	<p style="text-align: center;">Not Allowed</p>	
<p>Interest Rate Type</p>	<p style="text-align: center;">Fixed</p>	<p style="text-align: center;">Monthly Adjustable</p>
<p>Payment Plans</p>	<p style="text-align: center;">Lump Sum paid at closing</p>	<p style="text-align: center;">Term, Tenure, Modified Term, Modified Tenure, Line of Credit</p>
<p>Mortgage Insurance Premium (MIP)</p>	<ul style="list-style-type: none"> - Up front Mortgage Insurance Premium is 2% of maximum claim amount for HECM Standard and 0.01 Percent for HECM Saver - Monthly MIP is 1/12th of 1.25% (of outstanding balance) is added to principal monthly for both HECM Standard and HECM Saver 	
<p>Non Borrowing Spouse</p>	<p>Must attend counseling, Must sign "Notice to Non Borrowing Spouse" and "Ownership Interest Disclosure" and Must sign Security Instruments for community property states</p>	
<p>Non Borrowing Residents</p>	<ul style="list-style-type: none"> - The children of a prospective HECM borrower, who do not qualify for a HECM, but who currently reside on the real estate, or who are on the title for the real estate that will serve as the security for the FHA-insured HECM, but will be removed from title prior to closing, are not required to receive HECM counseling as per Brown Investor policy. The correspondent should speak to the Non Borrowing children to discuss the implications of not putting their name on the loan. The entire conversation should be thoroughly documented. - If the non-borrowing resident (NBR) currently on title is under the age of 62, he/ she is not required to attend counseling. The correspondent should speak to the Non Borrowing Resident to discuss the implications of not putting their name on the loan. The entire conversation should be thoroughly documented. - They also must sign "Notice to Non Borrowing Spouse or Resident" and "Ownership Interest Disclosure" 	
<p>Property Seasoning requirements</p>	<ul style="list-style-type: none"> - If the borrower purchased the property in less than or equal to 12 months form the *case assignment date*, then we will take the lower of the current appraised value or the original purchase price. - However, if the difference between the Current Appraised value and the Original Sale Price is less than 15%, we can use the current appraised value for the loan transaction and would not consider the Original Sales price. - The funds to cover the short fall between the net principal limit and the mortgage payoff must be properly sourced if the Original Sales price is considered. 	

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Property Flipping Waiver (Purchases)	<ul style="list-style-type: none"> - 90 day flips are not allowed on HECM Purchase Loans as the waiver does not apply to HECM purchases. - Only current owners of record may sell properties that will be financed using FHA-Insured Mortgages. - Any re-sale of a property may not occur 90 or fewer days from the last sale to be eligible for FHA financing. - For re-sales that occur between 91 and 180 days where the new sale price exceeds 100% of the previous sale price, FHA will require additional documentation validating the property value. 	
HECM – HECM Refinance	<ul style="list-style-type: none"> - Benefit Factor: HECM to HECM refinance must provide the borrower with a minimum of 5 times the HECM to HECM refinance benefit factor (difference between new and existing principal limit should be at least 5 times the sum of closing cost and servicing set asides). - Taxes and Insurance (T&I) Default: Loans with T&I default are allowed for HECM-HECM refinance on exception basis only. 	
Servicing Fee	\$0 to \$30	\$5 to \$35
Re-disclosure for Increasing Margins / Interest Rate	Interest Rate Increase is Permissible only if: <ol style="list-style-type: none"> 1) The most recent GFE disclosed does not show that the rate is locked 2) The borrower is sent a re-disclosed TIL showing the change in the APR. 	Not Allowed on loans underwritten by Brown Investor.

Disclaimer:

- This information is provided as information for licensed Correspondents only and may not be copied or distributed to customers or potential customers.
- All loans are subject to approval. Certain restrictions may apply. Rates and prices are subject to change.

FHA Reverse Mortgages (HECMs) for Seniors

If you are a homeowner age 62 or older and have paid off your mortgage or paid down a considerable amount, and are currently living in the home, and are eligible, you may participate in FHA's Home Equity Conversion Mortgage (HECM) program. The HECM is FHA's reverse mortgage program that enables you to withdraw some of the equity in your home with limitations or a single disbursement lump-sum payment at the time of mortgage closing.

You can also use a HECM to purchase a primary residence if you are able to use cash on hand to pay the difference between the HECM proceeds and the sales price plus closing costs for the property you are purchasing.

How the Program Works

There are many factors to consider before deciding whether a HECM is right for you. To aid in this process, you must meet with a HECM counselor to discuss program eligibility requirements, financial implications and alternatives to obtaining a HECM and repaying the loan. Counselors will also discuss provisions for the mortgage becoming due and payable. Upon the completion of HECM counseling, you should be able to make an independent, informed decision of whether this product will meet your specific needs. You can search online for a **HECM counselor** https://entp.hud.gov/idapp/html/hecm_agency_look.cfm or call (800) 569-4287.

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There are borrower and property eligibility requirements that must be met. You can use the listing below to see if you qualify. If you meet the eligibility criteria, you can complete a reverse mortgage application by contacting a FHA-approved lender. The lender will discuss other requirements of the HECM program, the loan approval process, and repayment terms.

Borrower Requirements

- Be 62 years of age or older
- Own the property outright or paid-down a considerable amount
- Occupy the property as your principal residence
- Not be delinquent on any federal debt
- Have financial resources to continue to make timely payment of ongoing property charges such as property taxes, insurance and Homeowner Association fees, etc.
- Participate in a consumer information session given by a HUD- approved HECM counselor

Property Requirements

The following eligible property types must meet **all** FHA property standards and flood requirements:

- Single family home or 2-4 unit home with one unit occupied by the borrower
- HUD-approved condominium project
- Manufactured home that meets FHA requirements

Financial Requirements

- Income, assets, monthly living expenses, and credit history will be verified.
- Timely payment of real estate taxes, hazard and flood insurance premiums will be verified

You may be eligible for one of the following payment plans:

- **Tenure** - equal monthly payments as long as at least one borrower lives and continues to occupy the property as a principal residence.
- **Term** - equal monthly payments for a fixed period of months selected.
- **Line of Credit** - unscheduled payments or in installments, at times and in an amount of your choosing until the line of credit is exhausted.
- **Modified Tenure** - combination of line of credit and scheduled monthly payments for as long as you remain in the home.
- **Modified Term** - combination of line of credit plus monthly payments for a fixed period of months selected by the borrower.
- **Single Disbursement Lump Sum** - a single payment at loan closing.

If eligible, you can change your payment plan option for a fee of \$20.

Mortgage Amount Based On

The amount you may borrow will depend on:

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- Age of the youngest borrower
- Current interest rate
- Lesser of appraised value or the HECM FHA mortgage limit of \$625,500 or the sales price; and
- Initial Mortgage Insurance Premium

HECM Costs

You can pay for most of the costs of a HECM by financing them and having them paid from the proceeds of the loan. Financing the costs means that you do not have to pay for them out of your pocket. On the other hand, financing the costs reduces the net loan amount available to you.

The HECM loan includes several fees and charges, which includes: 1) mortgage insurance premiums (initial and annual) 2) third party charges 3) origination fee 4) interest and 5) servicing fees. The lender will discuss which fees and charges are mandatory.

You will be charged an initial mortgage insurance premium (MIP) at closing. Up front Mortgage Insurance Premium is 2% of maximum claim amount for HECM Standard and 0.01 Percent for HECM Saver and the Monthly MIP is 1/12th of 1.25% (of outstanding balance) is added to principal monthly for both HECM and Standard and HECM Saver.

1. **Mortgage Insurance Premium**

You will incur a cost for FHA mortgage insurance. The mortgage insurance guarantees that you will receive expected loan advances. You can finance the mortgage insurance premium (MIP) as part of your loan.

2. **Third Party Charges**

Closing costs from third parties can include an appraisal, title search and insurance, surveys, inspections, recording fees, mortgage taxes, credit checks and other fees.

3. **Origination Fee**

You will pay an origination fee to compensate the lender for processing your HECM loan. A lender can charge a HECM origination fee up to \$2,500 if your home is valued at less than \$125,000. If your home is valued at more than \$125,000 lenders can charge 2% of the first \$200,000 of your home's value plus 1% of the amount over \$200,000. HECM origination fees are capped at \$6,000.

4. **Servicing Fee**

Lenders or their agents provide servicing throughout the life of the HECM. Servicing includes sending you account statements, disbursing loan proceeds and making certain that you keep up with loan requirements such as paying real estate taxes and hazard insurance premium. Lenders may charge a monthly servicing fee of no more than \$30 if the loan has an annually adjusting interest rate and \$35 if the interest rate adjusts monthly. At loan origination, the lender sets aside the servicing fee and deducts the fee from your available funds. Each month the monthly servicing fee is added to your loan balance. Lenders may also choose to include the servicing fee in the mortgage interest rate.

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HECM for Purchase Frequently Asked Questions

The FAQs on this page were written for lenders and housing counselors, however, seniors may find them helpful for an overview of the program.

What is HECM for Purchase?

HECM for Purchase allows seniors, age 62 or older, to purchase a new principal residence using loan proceeds from the reverse mortgage.

What is the purpose of the program?

The program was designed to allow seniors to purchase a new principal residence and obtain a reverse mortgage within a single transaction. The program was also designed to enable senior homeowners to relocate to other geographical areas to be closer to family members or downsize to homes that meet their physical needs, i.e., handrails, one level properties, ramps, wider doorways, etc.

What if the HUD-1 Lines 303 and 603 do not match the figures from the Loan Amortization Schedule?

The HECM for Purchase closing will use many of the acceptable practices used for insuring forward mortgages. Because the HUD-1 Settlement Statement is the final statement, it will reflect final adjustments (e.g., adjustments for fuel, electricity, etc.) not captured on the Reverse Mortgage Loan Amortization Schedule.

Is the fixed interest rate eligible in a HECM for purchase loan? Yes.

What documentation should be used to document the 60-day physical requirement to occupy the property after closing?

The HECM security instrument requires the HECM mortgagor to establish a legitimate principal residence in the home. Lenders are encouraged to ensure the HECM mortgagor lives in the home prior to submitting the case binder for endorsement. Lenders may, but are not required to, obtain a letter from the HECM mortgagor stating he/she lives in the home.

Are lenders required to submit form HUD 92541, Building Certification of Plans, Specifications & Site and 10-year warranties in the case binder?

No. Newly constructed properties must be 100% complete at the time of inspection and initial application.

Under what conditions may a senior cancel the purchase transaction?

The senior may decide to cancel the purchase transaction at any time prior to the date of closing. If the senior decides to cancel the transaction, he/she must notify all parties in writing. Where earnest money has been provided, the senior should review the sales contract to determine if the earnest money is refundable. The Federal Reserve Board of Governors should be contacted for right of rescission and Truth in Lending Act guidance.

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Are the mortgage proceeds paid to the seller through escrow?

The title company (settlement agent) is responsible for disbursing funds in accordance with state law.

Is this a HECM for purchase or a traditional HECM?

A senior purchases a principal residence using 100% seller financing, signs a HECM loan application the next day or shortly thereafter and meets all eligibility criteria for obtaining a HECM. Does the Federal Housing Administration (FHA) consider this transaction to be a traditional HECM or a HECM for purchase transaction?

This scenario describes a traditional HECM. Consistent with existing policy guidance, the HECM loan proceeds will satisfy a recorded lien that was created from the seller financing. Lenders may request a copy of the executed HUD-1 and warranty deed, or its equivalent, to ensure transfer of title to the prospective HECM mortgagor.

Once a principal residence has been purchased using HECM loan proceeds, can the property serve as collateral for another secured loan?

Yes, only after the mortgage insurance certificate has been issued. Lenders are responsible for ensuring additional secured liens are subordinate to the HECM first and second liens. Such financing may not occur concurrently with the HECM closing.

What property types are eligible?

Existing one-to-four unit properties where construction has been completed and the property is habitable as evidenced by local jurisdiction issuance of certificate of occupancy or its equivalent.

Can a HECM for purchase be used to satisfy outstanding payment obligations associated with a land contract?

Yes, if the property will be used as collateral for the HECM and the mortgage will be held in fee simple, or on a leasehold under a lease for not less than 99 years which is renewable, or under a lease having the remaining period of not less than 50 years beyond the date of the 100th birthday of the youngest mortgagor.

Can a lender take application on a property that is under construction and not habitable?

No. The lender may only take application once the Certificate of Occupancy or its equivalent has been issued.

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What property types are ineligible?

- Cooperative units
- Newly constructed residences where a Certificate of Occupancy or its equivalent has not been issued by the appropriate local authority
- Boarding houses
- Bed and breakfast establishments
- Existing manufactured homes built before June 15, 1976; and
- Existing manufactured homes built after June 15, 1976 that fail to conform to the Manufactured Home Construction Safety Standards, as evidenced by affixed certification labels (e.g., data plate and HUD certification label) and/or lack a permanent foundation as required in HUD's Permanent Foundations for Manufactured Housing Guide or homes that are installed or were occupied previously at another site or location.

Are set asides for property charges allowed (i.e., ground rent, tax, insurance, Homeowner Association fees, etc.)?

Yes. Mortgagors will continue to have the option of electing to have the lender withhold funds from their monthly payments or by charging such funds to the line of credit.

Are set asides for repairs allowed?

To be eligible for federal insurance, the property must meet FHA minimum property requirements. All repairs to correct major property deficiencies that threaten the health and safety of the homeowner and/or jeopardize the soundness and security of the property must be completed by the seller prior to closing. Appraisers must complete the appraisal report as "Subject To" the completion of these repairs.

Major Property Deficiency Examples:

- No running water
- Leaking roof
- No primary heating source
- Inadequate electrical system (including lighting)
- Inoperable doors and windows (inhibited ingress and egress)
- State or local code violations

Is the Amendatory Clause required?

Yes. An appraisal is required for all HECM transactions, including purchase transactions. The execution of the Amendatory Clause does not negate federal and state mandates on providing a copy of the appraisal to the consumer.

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Are there special procedures for foreclosure homes that will serve as collateral for a purchase transaction?

No. FHA has sufficient valuation guidelines related to comparable sales and declining markets to address the resale of foreclosed properties. HUD has imposed a standard of accountability to which lenders, sponsor lenders, and loan correspondents will be held is the same as the standard used to impose civil money penalties for program violations, and that standard is one of knowing (actual knowledge) or had reason to know.

If the lender suspects the senior has become involved in a property flipping scam, who should be contacted?

If a lender suspects a senior has become a victim to a property flipping scam, contact the Processing and Underwriting Division of the local **HOC**. Complaints may also be reported to HUD's Inspector at: HUD Office of Inspector General Hotline, GFI, 451 7th Street, SW Washington, DC 20410.

Are gifts an acceptable source of funding?

Prospective mortgagors may use their own money or money obtained from the sale of assets. The monetary investment requirement can also be met by the use of approved funding sources as defined in **HUD Handbook 4155.1 REV-5**, section **2-10**, with the exception of the following funding sources which may not be used:

- Sweat Equity
- Trade Equity
- Rent Credit
- Cash or its equivalent, in whole or in part, from the following parties, before, during or after loan closing:
 - The seller or any other person or entity that financially benefits from the transactions, or
 - Any third party or entity that is reimbursed, directly or indirectly, by any of the parties described in the previous bullet.

What would be an "allowable FHA funding source" for gap financing of the equity portion?

A withdrawal from the mortgagor's savings or retirement account would be an acceptable funding source.

How is the maximum claim amount and principal limit calculated?

For HECM purchase transactions only, the maximum claim amount will be the least of: 1) the appraised value; 2) sale price; or 3) FHA mortgage limit for a one family residence. The principal limit is determined by multiplying the maximum claim amount by the principal limit factor corresponding to the age of the youngest mortgagor, the expected interest rate and the initial MIP option that the borrower selects.

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Can prospective mortgagors apply credit card cash advances towards the required monetary investment or closing costs?

No. This would be a violation of 24 Code of Federal Regulations 206.32(a), which requires all outstanding obligations connected to the HECM transaction, purchase or otherwise, to be satisfied prior to or on the date of closing.

Are seller concessions allowed?

No. Seller concessions are applicable to forward mortgages only.

Is seller financing permitted? No.

Is the Real Estate Certification required? Yes.

When purchasing a new principal residence, if the HECM proceeds do not cover the sales price, can part or all of the property's indebtedness be subordinated behind the first and second HECM liens if the existing lien holder is willing to execute a subordinate agreement?

No. All existing liens must be satisfied at the HECM closing.

If the source of funds comes from the sale of the homeowner's principal residence or other owned property, and the sale is occurring the same day as the closing on the HECM, can a copy of the executed HUD-1 and cashier's or certified check, evidencing the sale, be used to verify the funding source?

Yes. In addition to the HUD-1, a copy of the sales contract executed by all parties and a copy of the cashier's or certified check bearing the name of the seller can be used to verify the funding source.

Can prospective mortgagors obtain a secured or non-secured loan from another asset (i.e., car, home equity line of credit, or investment property or second home) to satisfy the monetary investment or closing costs?

No. Consistent with existing policy, bridge loans and other interim financing methods associated with HECM transactions are prohibited, unless the unpaid or outstanding obligation can be satisfied prior to or on the day of closing.

In lieu of providing a Verification of Deposit with the most recent bank statement, what other alternative documentation will FHA accept? Note: Full Doc vs. Alt Doc-one is a compliment for the other.

FHA will accept the two most recent, consecutive original bank statement(s), belonging to the borrower, which covers the most recent (three-month period) and previous month's balance. Bank statements that are more than 120 days old prior to the closing date are not acceptable.

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Is the finance transaction of Loan A prohibited in this scenario?

Senior currently owns Home A. Senior wishes to purchase Home B. Senior borrows money (with Loan A) and uses Home A as collateral for Loan A, and uses the money from Loan A for a down payment on Home B. The remainder of the Purchase proceeds for Home B, which will be the senior's principal residence, comes from a HECM for Purchase transaction.

Yes the transaction is prohibited. Although Loan A served as a secured loan tied to Home A, the money was applied toward the HECM for purchase transaction and would violate 24 CFR 206.32 (a) which provides that **there shall be no outstanding or unpaid obligations incurred by the HECM mortgagor in connection with the HECM transaction.**

Can the HECM mortgagor participate in a rent back/leaseback agreement with the seller?

No. When purchasing a new principal residence, the HECM mortgagor has 60 days to occupy the home. Unlike a forward mortgage, there is an increased risk to FHA when the home is not occupied by the HECM mortgagor. Prior to closing, the HECM mortgagor and seller should agree to a date for physical occupancy of the property and the lender should confirm occupancy prior to their submission of the case binder to the local HOC for endorsement.

Does FHA have special eligibility requirements for first-time homebuyers?

No. FHA encourages all first-time homebuyers to meet with a reverse mortgage counselor that offers pre-purchase counseling to educate themselves on the responsibilities of becoming a homeowner. Prior to signing a sales contract, FHA encourages a home inspection of all properties that will serve as collateral for HECM for purchase transactions. The inspection serves two purposes, to determine the magnitude, if any, of repairs and/or rehabilitation the home as well as helps the buyer to negotiate the purchase price in situation where a home requires repair or rehabilitation.

For Reverse Mortgage Loan Amounts, see the State/County limits at

<https://entp.hud.gov/idapp/html/hicost1.cfm>

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