



Are you planning to use a Reverse Mortgage to Purchase a Home? Then the following checklist will be very handy.

- 1) The sale must be an "Arm's Length Transaction" which means that you must be buying from a totally non-related third party. Purchases involving family members are not eligible.
- 2) Is the property New Construction or just underwent major remodeling? Then the Certificate of Occupancy must have been issued by the county prior to the date of the loan application. You may not start the loan before this has been filed.
- 3) Has the property recently sold? The property cannot have been sold less than 6 months prior to this sale as that would be "property flipping". HUD does allow for some exceptions for HUD repos. Check with your lender BEFORE you make an offer.
- 4) You will need to be able to satisfactorily verify and source all funds needed for the down payment and closing costs by using all pages of the bank statements from the account where the funds have been kept for the past 3 months. If you move funds from account to account, all funds must be traced and any new funds must be sourced as well so it is much better to leave funds in a seasoned account.
- 5) Gift funds from a family member are acceptable, but they will be sourced the same as your funds in #4 above. In addition, the transfer of the funds (both the giving and the receipt) must be verified. The donor will have to provide a letter that the funds are a gift (not a loan) that does not have to be repaid.
- 6) There can be NO SELLER CONCESSIONS of any kind. The seller cannot credit you any money or pay your costs so negotiate the best sales price you can from the start!
- 7) You and the seller have the right to choose your service providers (title, closing agent), but unlike normal forward mortgage transactions, if the title and closing agent are not familiar and have not done numerous reverse mortgage transactions, they can seriously delay a transaction due to lack of experience. We strongly recommend that you try to negotiate that your title and closing service be used. Some sellers will not allow this as their agents will push back if this is another source of income for their office but it can really help to have experienced reverse mortgage professionals working on your loan. Check with your All Reverse Representative to determine the best services for your area.
- 8) When you complete your counseling for a purchase reverse mortgage, lenders are a bit different on what addresses they require on the certificate based on the date of counseling and the purchase agreement. The best rule to follow is that if you do not have a contract written and accepted on a specific property at the time you complete your counseling, use your current address for your certificate. If you have already entered into a contract to purchase, give the counselor the new property address for the address to appear on the certificate but be sure they have your correct current address to send you the completed certificate.
- 9) We can issue you a letter which outlines the reverse mortgage process and is somewhat similar to a "Prequalification Letter" that many sellers require. However, without being able to complete all the HUD requirements that cannot be done until the contract and some of the work is completed, we cannot give a firm prequalification and to do so would not be ethical or legal. Most sellers have accepted the letter and the loans have closed accordingly, but the seller is not required to accept it. The reverse mortgage is not like the



forward loan and you can't just run an "automated underwriting approval" for a borrower (which itself is only a contingent approval and is not guaranteed anyway but most sellers are not aware of this fact).

10) If the appraiser notes that there are any necessary repairs, they must be completed by the seller, prior to the close of escrow. In other words, the buyer cannot accept a house in "as is" condition that does not meet HUD's guidelines expecting to compete the repairs after the sale is closed. This is especially significant for borrowers looking to purchase foreclosures and short sales as many times banks and sellers will not complete some repairs.

11) If the property you have chosen is a short sale (the lender has agreed to accept less than is owed on the existing lien), be sure you find out if there are any junior, or secondary liens. Just because the First Trust Deed Lender has agreed to accept less than the full amount owed does not mean that every other lender (if any) will and we have seen sales disintegrate at the last minute due to junior lien holders not approving the terms of the sale and the sellers not having any additional funds to pay the lien in full.

12) Your property type is important as well. HUD will not insure a loan on a condominium unless the entire project is currently on [their approved list](#). Many projects do not meet HUD's parameters and some approvals can take many months to obtain as the HOA's are forced to increase insurance coverage and they or the Condo Boards themselves are not willing to do so. You need to be certain the condo project is approved BEFORE you make a deposit on a purchase. In addition to condominiums, HUD has restrictions on other property types and lenders may impose their own restrictions above and beyond HUD. Manufactured homes, log homes, earth homes 3 – 4 unit properties may be allowed by HUD with certain requirements, but you may find it impossible to find an investor who will lend on this type of reverse mortgage purchase. If you are looking at a condominium or a unique property type, it is best to verify the property's acceptance before you make your offer.

By keeping these items in mind when planning to use a reverse mortgage to purchase, you can save time and mistakes, making your transaction very smooth and easy!

Additional resources courtesy of ALLRMC.COM

- [Free Purchase Reverse Mortgage Calculator »](#)
- [Purchase HECM FAQ's »](#)
- [Free .pdf Guide to Purchase Reverse Mortgages »](#)

What to do next:

Receive a detailed analysis from All Reverse Mortgage including closing costs, interest rates and program comparisons.

[Request Purchase Quote](#) or call (800) 565-1722



HECM For Purchase Quick Tips: Contract of Sale

It is crucial that the contract of sale be thoroughly reviewed prior to the borrower applying for a HECM for purchase loan. This quick tip provides useful information regarding items that should or should not be included in a contract of sale. **This is not a comprehensive list and does not include most state specific guidelines.** Users MUST review Mortgagee Letters related to the HECM For Purchase program with emphasis on letters [08-33](#) and [09-11](#). When reviewing the contract of sale, special care must be given to the following areas:

When reviewing the contract of sale, special care must be given to the following areas:

	Contract must include the FHA Amendatory Clause and Real Estate Certification
	<p>Contract cannot include seller concessions, credits or seller paid closing costs</p> <ul style="list-style-type: none"> The H4P program requires all loan closing cost including 3rd party title charges be paid by the borrower. Third party fees include, but are not limited to: <ul style="list-style-type: none"> o Deed prep, recording, owner's and lender's policies, transfer tax, Florida intangible tax, title settlement charges and any and all courier and wire fees affiliated with the loan. o Seller can only pay for realtor fee, seller attorney representation, lien payoffs and all affiliated charges associated with the payoff (including wire and/or courier fee for the payoffs, and all pro-rations and any and all charges affiliated with transferring vesting of the subject property free and clear of any and all encumbrances. o See Mortgagee Letter 2009-11, page 4
	The contract must state that there is no monetary value included in the final purchase price for personal property (HECMproceeds can only be used for real property)
	The contract cannot contain any rent back options Mortgagee Letter 2009-11, page 4
	The contract cannot include credits or concessions from any party to the transaction (seller, lender, realtor, builder, etc.) Mortgagee Letter 2009-11, page 4
	If the Seller is the Realtor for the purchase transaction the broker can earn commission, but the broker must identify the realtor is not earning commission income on the purchase.
	When the appraisal is ordered, final contract including all pages and amendments must be provided to the appraiser.
	If the appraisal identifies any repair items, the seller must pay for and complete all repairs. Seller also must pay for any final inspections associated with those repairs. See Mortgagee Letter 2009-11, page 3
	If a home warranty is included, it must be paid by the buyer
	Upfront inspections, if negotiated (termite, home inspection etc.) must be paid by the buyer. Any findings must be negotiated between buyer and seller. Repairs must be paid by the seller and completed prior to closing the loan.
	Request at least 30 days to close the loan with all sellers/builders.

HECM FOR PURCHASE (H4P) TITLE COMPANY JOB AID

At Reverse Mortgage Funding LLC (RMF) we strive to make the client's home purchase a seamless transaction. This job aid will provide highlights of the HECM for Purchase program and the fees that are allowed by HUD. Mortgagee Letter 2009-11 should be reviewed for more information.

Ordering Title

For a HECM Purchase loan, the loan amount is based on the lesser of the sale price, appraised value or HUD's Max Claim Amount (currently \$625,500). Title will be requested as follows:

- Schedule A will evidence the final purchase price in dollars
- Schedule B will evidence 150% of the final purchase price
- The lender is identified and insured
- Borrower information must be consistent on the contract of sale/title report and final deed.

Needed Endorsements*

The lender policy must include the following unaltered endorsements (or its equivalent):

- ALTA 9/ CLTA 100, Comprehensive
- ALTA 8.1 / CLTA 100.9, Environmental protection endorsement
- ALTA 116 / CLTA 116 , street address
- ALTA 14.3-06 OR ALTA 6.2 CLTA 111.8 variable rate with negative amortization and line of credit or a reverse mortgage endorsement , in states where available (T-43 in TX)
- SURVEY (If applicable) or Survey Affidavit
- ALTA 4/CLTA 115.1, Condo (if applicable)
- CLTA 5.1, PUD (if applicable)

In high to moderate tip zones for FHA on purchase, the following termite reports are required:

- NPMA-33 are required when the property is greater than 1 years old (purchase only)
- NPMA 99A and or B are required on all builder loans where the Certificate of Occupancy was obtained within the last 12 months.

*This is not meant to be a complete list of endorsements. As always, consult your title company for more details.



Mortgagee Letter 2009-11

FHA prohibits seller contributions (also known as "seller concessions"), the use of loan discount points, interest rate buy downs, closing cost down payment assistance, builder incentives, gifts or personal property given by the seller or any other party involved in the transaction. This includes customary charges that are normally paid on behalf of the borrower by the seller.

- No Seller Concession or Credits
- No Lender Credits
- No Common or Customary Fee paid by the Seller

The seller can only pay for:

- Realtor fee and attorney representation fee
- Their pro-rations of taxes and HOA fees due to make all charges current to the day of closing
- All lien payoffs and fees associated with those payoffs due by the seller

All other 3rd party closing costs from title must be paid by the buyer.

We are Here to Help

Upon request, our Product Manager and Senior Closer will make an introductory call to a new Title Company to review the process and program parameters.

The Process

- Loan Originator contacts Title Company BEFORE preparing the GFE.
- Request all title fees including those normally paid by the buyer. Fees include, but are not limited to: Transfer Tax, Owner's and Lender's policy, Title Search fees, Settlement fees, Deed Prep and Recording fees, Mortgage Recording fees, Grantor's tax, Deed Stamps, Wire fee, Courier Fee, Home Warranty fee.
- When the loan is opened (services ordered), we will request Preliminary Title, and estimated HUD 1 and the unrecorded Deed to evidence borrower's name(s) is the same as the Contract of Sale and internal program validations.



Frequently Asked Title Questions

1. Why do the mortgages read 1.5 times the Loan amount?

Reverse mortgage are negatively amortizing loans. Since the maturity date is unknown, HUD established 150% of the loan amount to account for interest and fees that continue to accrue on the loan.

2. How is the maximum claim amount and principal limit calculated? (HUD FAQ's website)

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 or non-borrowing spouse, the expected interest rate and the initialMIP option that the borrower selects.

3. What is the title coverage amount?

The title coverage amount is the Maximum Claim Amount.

Exhibit – HUD 1 (Pages 2-3)

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801	211.95	136.95
Your credit or charge (points) for the specific interest rate chosen	# 802		
Your adjusted origination charges	# 803	211.95	136.95
Transfer taxes	#1203	495.00	495.00
Charges That in Total Cannot Increase More than 10%		Good Faith Estimate	HUD-1
Government recording charges	#1201	250.00	146.00
Appraisal fee	# 804	525.00	500.00
Credit report	# 805	35.00	18.11
Flood certification	# 807	15.50	15.50
Mortgage Insurance Premium	# 902	6,187.50	6,187.50
Title Services and Lenders Title Insurance	#1101	1,200.00	1,045.70
Total		8,213.00	7,912.81
Increase between GFE and HUD-1 Charges		\$ -300.19 or	-3.66%

These
are zero
tolerance
fees

Charges That Can Change	Good Faith Estimate	HUD-1
Initial deposit for your escrow account		
Daily interest charges		
Homeowner's insurance		846.00
Owner's title insurance to		25.00
Counseling Fee	125.00	125.00

1100. Title Charges			
1101. Title Services and Lenders Title Insurance	(from GFE #4)	1,045.70	
1102. Attorney fee to [REDACTED]	\$ 685.00		225.00
1103. Owner's title insurance to [REDACTED]	(from GFE #5)	25.00	
1104. Lender's title insurance to [REDACTED]	\$ 360.70		
1105. Lender's title policy limit	\$ 247,500.00		
1106. Owner's title policy limit	\$ 247,500.00		
1107. Agent's portion of the total title insurance premium to [REDACTED]	\$ 385.00 End: \$0.00		
1108. Underwriter's portion of the total title insurance premium	\$ End: \$0.00		
1109.			
1110.			
1111.			
1112.			
1113.			
1200. Government Recording and Transfer Charges			
1201. Government recording charges to Register of Deeds	(from GFE #7)	146.00	
1202. Deed \$ 26.00 Mortgage \$ 120.00 Releases \$ Other \$			
1203. Transfer taxes to Register of Deeds	(from GFE #8)	495.00	
1204. City/County tax/stamps	\$		
1205. State tax/stamps	\$		
1206.			
1207.			
1300. Additional Settlement Charges			
1301. Required services that you can shop for	(from GFE #6)		
1302. HOA Service fee to [REDACTED]		25.00	
1303. Home Inspection to [REDACTED]		475.00	
1304. Counseling Fee to [REDACTED]	POC: B125.00		
1305. See addit'l disb. exhibit to [REDACTED]		320.00	
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)		9,935.76	12,675.00

This fee is for the
Seller's Attorney

Title charges must be
on Borrower's side

Transfer tax - Borrower's side. Must
be disclosed on GFE - Zero Tolerance