



Meeting Boomer Buyers' Needs

With HECM For
Purchase

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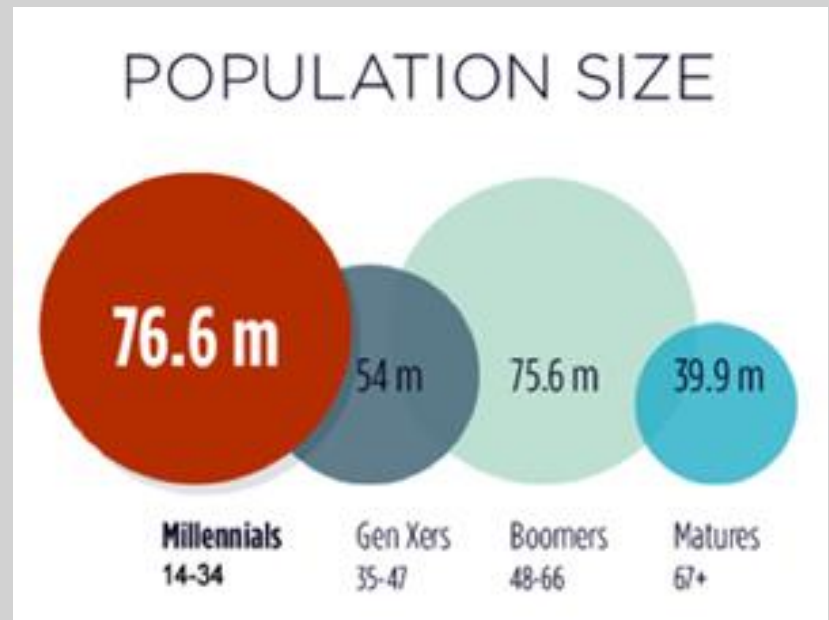
The Opportunity

Make home buying
more affordable

Meet the needs of your
clients 62 and older

The Opportunity

- 10,000 people turning 62 every day
- There are over 75 Million Boomers in America today
- 80% of boomers+ are homeowners
- 25% of Homebuyers are age 60+*



H4P Scenarios & Strategies

Offering flexibility to retirees who want to sell and move

Buying the home they really want in the location they want

Working with a Builder & Considering New Construction

Creating Liquidity for Investments

Relocating to be closer to grandkids

Moving on after later-in-life divorce

What is HECM for
Purchase?

Home Equity Conversion Mortgage (H4P)

An innovative FHA mortgage
introduced in 2009

Designed specifically for
anyone 62 or older*

Dramatically increases your
Buyer's Purchasing Power

How Does HECM for Purchase Work?

HECM for Purchase minimum required down payment amount examples

AGE	Purchase Price	\$200,000	\$350,000	\$500,000	\$679,650
		Down Payment Required*	Down Payment Required*	Down Payment Required*	Down Payment Required*
62		\$127,507	\$216,592	\$307,492	\$412,544
67		\$120,507	\$204,342	\$290,387	\$388,757
71		\$116,507	\$197,342	\$280,387	\$375,164
75		\$111,307	\$188,347	\$267,387	\$356,607

- Requires a 68 year old buyer to make a one-time cash payment at settlement
 - for approximately 60% of the purchase price of the property
- The remaining amount is financed through the HECM loan
- There are NO MONTHLY MORTGAGE PAYMENTS
- Loan becomes due when last eligible spouse permanently leaves the home by moving, selling, passing away, or failing to meet obligations of the loan

In the Past

- There were JUST 2 OPTIONS:
 - Conventional loan with mortgage payments
 - Pay full purchase price with cash - no mortgage payments



A Third Option

- Use a HECM for Purchase...
- Pay a fraction of the purchase price
- OWN the home
- Make NO mortgage payments
- Maintain ALL the rights of homeownership
- Preserve capital

Qualifying

Must be 62 or older (at least one spouse)

It's only for a Primary Residence

The funds to close must come from their own assets or gifted funds, and not from borrowed money

Minimal income qualifications

Property Types That Can Be Purchased with the H4P Program

Single family residence or PUD (planned unit
development)

FHA approved Condo

No maximum or minimum purchase price, although
the property value for the loan amount is currently
capped at \$679,650

Borrower's Responsibilities

- Four Requirements:
 - Pay Real Estate Taxes
 - Pay Homeowner's Insurance
 - Maintain property/pay association fees
 - Live in the home as Primary residence

Tips to Remember

Funds must come from borrower's resources or be gifted; can't be borrowed

Clean contracts – no seller concessions. Customary “seller paid” are allowed along with home warranties

Condos – FHA approved or approvable

New Construction – we can now take the application before the CO, but the appraisal must wait for the CO.

A retired couple who doesn't have enough equity in their current home to sell it and buy the home they want (or need) with 100% cash

Scenario 1



Jim & Sally

Jim had been diagnosed heart condition, so could no longer walk up & down their stairs



Needed single level home similar to current home



After getting a pre-approval with an H4P they sold their home for \$640,000

Sold 2 Story Home	\$640,000
Payoff mortgage	\$200,000
<u>Cost of Sale</u>	<u>\$40,000</u>
Cash after sale	\$400,000



\$400,000



If they decide to:	DOWNSIZE	or	UPSIZE
Cash after sale	\$400,000		\$400,000
Cost of new home	\$300,000		\$600,000
HECM proceeds*	\$149,400		\$298,800
	6.57% APR		6.851% APR
Cash needed to close	\$161,459		\$319,479
Cash remaining after purchase	\$238,541		\$80,521

Now living in a new home, Jim and Sally have **no monthly mortgage payments** and a significant amount of cash is left over for future expenses. The HECM for Purchase program provides opportunities and options for today's older homebuyers. This is exciting news.

*Home Equity Conversion Mortgage using Fixed Annual rate of 5.06% as of January 1, 2018.

Buying the home
they really want
in the location
they want

Scenario 2



Kathy Retires In the Sun

Kathy wants to buy a home in sunny Florida

Purchase price \$300,000 on home

H4P provides \$170,000 in financing

Kathy uses \$130,000 from sale of home for the down payment

Kathy now has new home in Florida with no monthly principal and interest payment

She must stay current on taxes, insurance, HOA fees, and maintain the condition of the property

Considering New Construction in an Active Adult Community

Scenario 3





Instead of paying 100% cash for new home, save some to invest with a planner or purchase an investment property

Scenario 4

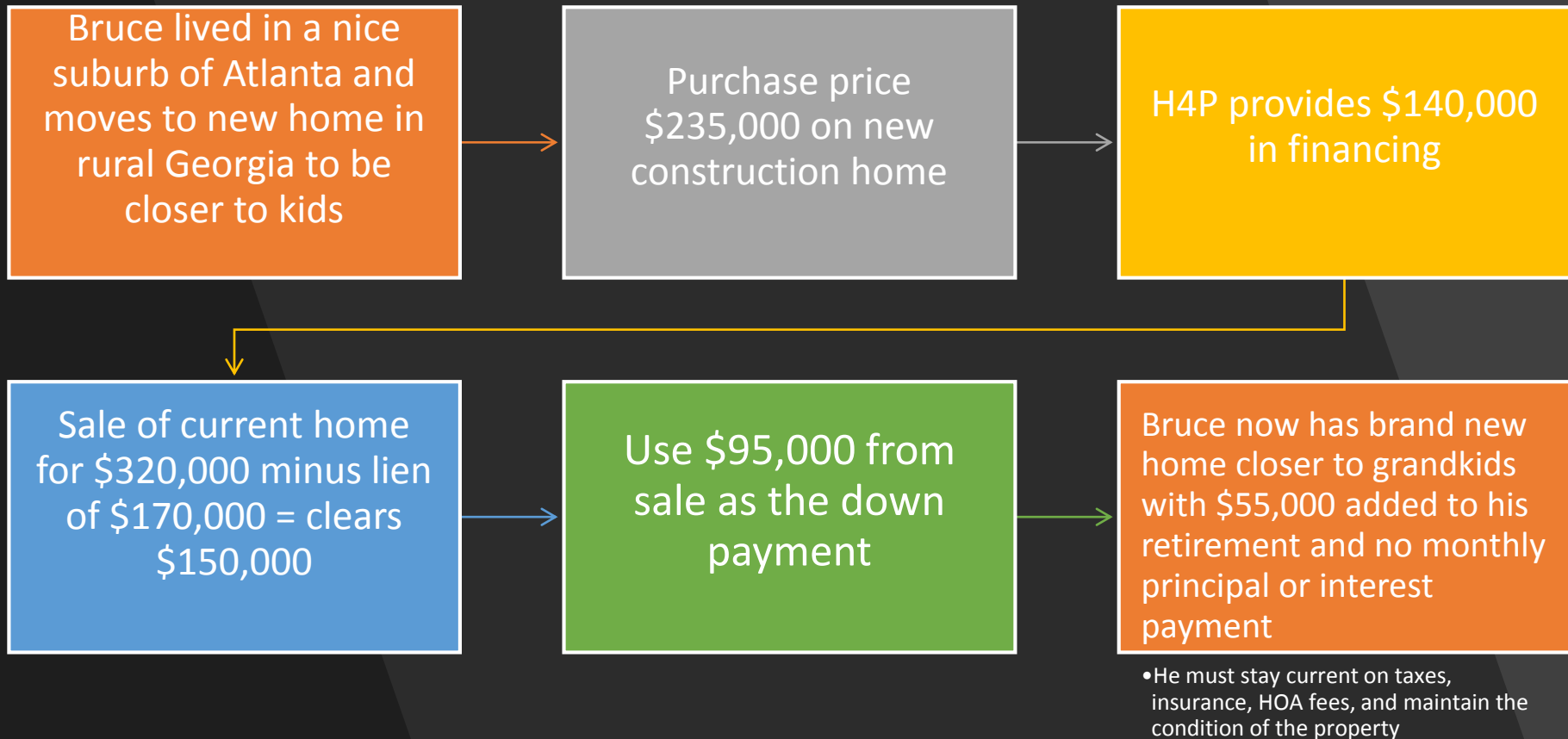


Grandparents relocating
to be closer to grandkids

Scenario 5



Bruce Wants to See the Grandkids More



Silver Divorce after dividing
the marital home,
separated spouses can use
H4P for their next home

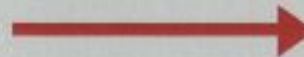
Scenario 6



A HECM on marital home provides funds for departing spouse's down payment on a new home. A Home-Purchase HECM pays the rest of the purchase price. NO debt-service obligation for either spouse. And NO forced sale of the marital home! In addition, the chances that both spouses retain homes of comparable value are enhanced.



SOLUTION #1



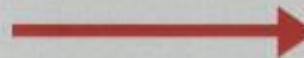
Marital Home: Remains with First Spouse

New Equivalent Home for Second Spouse

Marital home is sold and proceeds divided. Each spouse uses their share to cover down payment on new home they desire, using a Home-Purchase HECM to pay the rest. No debt service obligation for either spouse. Additionally, this solution may reduce or eliminate the need to take money from either spouse's portfolio while acquiring desirable housing for both.



SOLUTION #2



Marital Home: Sold and Equity Divided

First Spouse

Second Spouse

SOLD!

SOLD!

SOLD!

<u>Options Summary</u>	<u>Sell home- Split proceeds</u>	<u>Wife</u>	<u>Husband</u>
1. Estimated proceeds from Sale of Home	\$746,374 (\$373,187 each) 	Gets \$373,187	Gets \$373,187
2. Either Spouse Refinance into a new Reverse Mortgage on own	-	Keeps Home	Is Cashed out of portion of home from Reverse Mortgage Proceeds \$373,187
3. Sell Home & use proceeds to buy new home with H4P	\$330,7750 each 	\$300,00 Down payment <u>\$200,000 H4P mortgage</u> \$500,000 Purchase Price \$30,000 cash to pocket 	\$300,00 Down payment <u>\$200,000 H4P mortgage</u> \$500,000 Purchase Price \$30,000 cash to pocket 

Comparing The Options

Why HECM for Purchase?

Safe, FHA-insured loan

Enables those 62 or older to purchase at a fraction of the purchase price.....and upgrade at a fraction of the price

No monthly mortgage payments

Preserves capital and liquidity

Flexible, no prepayment penalty

Non-Recourse

HECM for Purchase Can Help You

1

Sell more homes

2

Make home buying more affordable

3

Move renters to buyers

4

Meet the needs of your senior clients

- Borrow with Confidence
- Combating Elder Abuse
- Consumer Guides
- Counseling
- Defending Against Mortgage Fraud
- For Builders and Remodelers
- For Realtors and Agents**
- Getting Started in Reverse Mortgages
- Marketing / Origination
- Member Spotlight
- Processing / Underwriting

Home » Reference Section » Resources » For Realtors and Agents

For Realtors and Agents

Reverse mortgage resources for Realtors and real estate professionals who work with older buyers and sellers.

Webinar: Meeting Boomer Buyers' Needs with HECM for Purchase

Guidance for Meeting Boomer Buyers' Needs with HECM for Purchase Tuesday, April 24, 1:00 PM ET • REGISTER NRMLA is partnering with the online real estate community ActiveRain to ... more

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Using a Reverse Mortgage to Buy a Home
A Toolkit for Real Estate Agents



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HECM for Purchase
A Homebuilder's Toolkit



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Questions