

Reverse Mortgage for Home Purchase



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The reverse mortgage for purchase program helps homebuyers fulfill their dreams of buying a home without having to worry about affording a monthly mortgage payment. This leaves the homeowner with increased cash flow, additional funds and also provides peace of mind.

Using a Reverse Mortgage to Purchase a Home

Reverse mortgages have always been a great way to turn home equity into tax free funds – without having to make monthly loan payments and with minimal credit score requirement or income verification!

Americans 62 and older can now use the equity from the sale of their previous home, or other cash or savings, to move into a different home –with just a single down payment. With a reverse mortgage you don't make monthly loan payments because the loan is not due as long as you live in your home as your principal residence and you maintain it according to FHA requirements. As with all mortgage loans, the borrower is required to pay their property taxes, homeowners insurance and applicable HOA Dues.

Imagine the financial independence you can achieve by eliminating your monthly mortgage payment. Best of all, if the untapped equity in your home increases over time, you or your heirs still “own” that equity – not the bank, since you retain full ownership of the property.



IT'S ALL ABOUT
peace of mind.

The Reverse Mortgage Home Purchase Process

Reverse Mortgage vs. Traditional Refinance Loans

Traditional refinance loans allow credit-and-income-qualified homeowners to borrow money and require repayment in the form of monthly payments. With a reverse mortgage, there are minimal income or credit score qualifying restrictions - and payments may be made to you.

Purchasing a home with a reverse mortgage is very similar to purchasing a home with a conventional mortgage, except rather than determining a down payment based solely on the purchase price, the minimum down payment will be based on a factor of your age, interest rates, and the lesser of the home's appraised value, purchase price, or FHA-imposed national lending limit.

Once an offer is accepted, your Reverse Mortgage Specialist will work with the seller or seller's agent to open escrow with a title or escrow agency familiar with reverse mortgages. Reverse mortgage appraisals, inspections, contingencies, documents, and closings are virtually the same as those with a conventional mortgage. Because of the HUD-required independent borrower counseling, some reverse mortgage escrow periods may be slightly longer than those of a conventional mortgage –although this isn't always the case.



Why would anyone want to purchase a home with a reverse mortgage?

The following are some of the benefits of using a reverse mortgage to purchase a home:

- **Time to move.** People decide to move for multiple reasons:
 - Time to downsize/rightsize
 - The home is too big or the yard maintenance is overwhelming
 - More convenient location
 - People may not want to drive as much and they may want to be near restaurants, grocery stores and medical facilities
- To be near family
 - As the years go on, many retirees would like to be near family and enjoy their company, but at the same time have a home they want to go to when they want to "get away"
- The title of the property always remains in the homeowner's name, never changing ownership
- A reverse mortgage is only due when both homeowners pass away, sell the home or both choose to vacate the property. There is a never a prepayment penalty
- A reverse mortgage cannot go into foreclosure as long as the borrowers are fulfilling the requirements of the loan

Eligibility Requirements

The basic eligibility requirements to purchase a home with a reverse mortgage are:

- All titleholders must be aged 62 or over
- The purchased home must be your principal residence
- The purchased home must meet HUD's minimum property standards and be either a single-family residence, a residence in a 2- to 4-unit dwelling (one unit must be owner occupied) or an FHA approved condominium
- The down payment must meet FHA guidelines
- You must complete a HUD-approved counseling session

What does it take to get prequalified?

If a borrower has a selected home to purchase, we will need the following information:

- Borrower's name(s)
- Date of birth for all borrowers
- Property address
- Purchase price
- Amount of funds borrower has available for down payment

How do I select a lender?

HUD regulations concerning the terms of a reverse mortgage ensure that lenders operate under similar guidelines. It is not interest rates and fees that distinguish reverse mortgage lenders; it is a depth of knowledge and expertise making the program easy to understand and the process simple.

Cherry Creek Mortgage Company, Inc., through its reverse mortgage division *1st Reverse Mortgage USA*, is recognized regionally and nationally as an expert in reverse mortgage lending and is among an elite group of lenders who are authorized by HUD to underwrite, close and fund reverse mortgages.



Frequently Asked Questions

What are the advantages of using a reverse mortgage to downsize and move to a new home? There are no monthly mortgage payments required when you use a reverse mortgage for a new home. There are minimal credit or income requirements and none of the pre-payment penalties that come with traditional forward mortgages.

Is there a credit line to access like other reverse mortgages? Yes, if you choose not to use all of the reverse mortgages funds toward the purchase of your new home.

How should I compare all of my options on financing a new home: “cash down,” “traditional mortgage,” and “reverse mortgage for moving?” The best way to think through your choices is by asking yourself the following questions: How much money you have? How much money you can afford to have invested in your house? Can you afford to make monthly loan payments? The answers to these questions should help you with making your final decision on what option works best for you.

Who owns the house? You retain full ownership of your house. The title remains in your name.

What fees can the seller pay and what fees must the buyer pay? Allowable fees must be typical for the market. Costs associated with the Reverse Mortgage must be paid by the buyer. Seller cannot pay pre-

paid costs. Taxes and HOA dues are paid by buyer on a prorated basis. Seller can only pay the transaction costs such as transfer tax, real estate commissions, title search, and fees typically paid by the seller.

At what point must reverse mortgage counseling be completed? Counseling is required prior to opening escrow or ordering an appraisal.

Is new construction acceptable? Reverse mortgages are permitted on new construction as long as a Certificate of Occupancy has been issued and the property is ready to occupy.

What if borrowers using the Reverse Mortgage for Purchase for a new primary residence, choose to retain their existing home as a rental property? Lenders must ensure the borrower has sufficient income to maintain the costs associated with the new home financed with the HECM for Purchase (i.e.: taxes, insurance, maintenance). The monetary investment for the Reverse Mortgage for Purchase transaction must be satisfied. Borrowers must continue to fulfill any other financial commitments on their existing properties.

How is the down payment determined? The calculation is based on the age of the youngest borrower, the current expected interest rate and the FHA Maximum Claim Amount (the lower of the actual sales price, appraised value or FHA limit).

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