

Important Facts for Home Purchase with a Reverse Mortgage

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Eligible HECM properties include:

- Single Family Residences
- 2-4 unit properties (check lender),
- FHA Approved Condos and Townhouses and some Manufactured Homes.

If the home is newly constructed it must have a [Certificate of Occupancy](#) issued prior to starting the reverse purchase transaction.

Reverse Mortgage Counseling is required prior to Opening Escrow!!!

All borrowers, non-borrowing spouses and attorney-in-facts must receive counseling and have signed the counseling certificate prior to opening escrow. A counseling certificate is good for a period of 180 days from the date counseling is completed. Potential borrowers are encouraged to complete HECM counseling while shopping for a property. Don't let counseling delay your deal! Request a Pre-Counseling Packet and Counselor List before showing any homes. The Property address on the counseling certificate will be the borrower's current address and will be corrected to reflect the subject property address once the loan application is in process.

Writing the Offer

The following items must be provided:

1. Fully Executed Sales Contract (executed by all parties: buyers, sellers, realtors)
2. FHA Real Estate Certification (executed by all parties: buyers, sellers, realtors)
3. FHA Amendatory Clause (must be dated on the contract date) (executed by all parties: buyers, sellers, realtors)
4. Property Condition Disclosure (completed by seller & generally acknowledged by buyers)
CA- The Real Estate Transfer Disclosure Statement (TDS)
NV- Sellers Real Property Disclosure Form
5. Any Inspections that are included in the contract will have to be provided to the lender. (Some lenders will require a Home Inspection and Pest Inspection please ask your loan officer if this is required.)
6. Language indicating Seller is responsible for completing and paying for any repairs that will affect the soundness and security of the property or threaten the health and safety of the homeowner prior to closing.
7. Seller Concessions or down payment assistance is NOT allowed. Seller is allowed to pay "customaryOUT" on only these costs:

- Transfer Tax
 - Sellers prorated share of property taxes and HOA dues
8. It is recommended that you request at least a 60 day escrow as reverse mortgages have a longer underwriting process. 45 days is the minimum if counseling certificate is in hand.

Note: Closing must take place in the Settlement Agent's Office.

Down Payment

Down Payment requirements are higher than traditional mortgages because there must be equity available for interest to accrue over the owner's lifetime as no monthly loan payments are required. **There are no seller concessions or down payment assistance allowed.**

If down payment is from a bank or investment account, a verification of deposit along with original statements that cover the most recent 3 month period are required on all accounts where funds will be taken from.

If a gift is being used, a gift letter and evidence of the donor's ability to provide the gift as well as evidence that funds have been transferred into the borrower's account or a certified check or wire transfer to escrow account is required.

If funds are coming from the sale of an existing property the Final HUD-1 settlement statement from that transaction will need to be provided along with a copy of the cashiers or certified check showing borrowers name or wire transfer showing settlement agent as sender and borrower as receiver.

Ineligible funding sources include:

- Credit card advances
- Bridge loans
- Personal loans
- Subordinate liens
- New loans against other REO
- Builder incentives
- Loans against borrower assets
- Loan discount points
- Interest rate buy downs
- Closing costs assistance
- Gifts or personal property given by the seller or any other party
- Seller concessions or financing
- Down payment assistance programs are prohibited.

Note: The maximum claim amount or value used will be the lower of the actual sales price, appraised value or FHA maximum loan limit currently \$625,500. Borrower is only allowed one FHA insured Home at a time, there fore if any of Borrower's

existing real estate holdings are secured by and FHA mortgage they must be paid off at or prior to loan closing.

Additional Required Documentation

1. Original, signed and dated HECM counseling certificate
2. Copy of social security card or Medicare card for verification on social security number
3. Drivers license or State issued ID card for proof of age
4. Trust Agreement if property is to be held in trust
5. New Homeowners Insurance Policy (Flood Policy if needed)

Maggie O’Connell ~ American Pacific Mortgage

1548 Catalina Ct. Livermore, CA 94550 | 4208 North Freeway Blvd., Suite 127, Sacramento, CA 95834 | 14709 'C' Mono Way, Sonora, CA 95370

Corporate: California Department of Real (DRE) License # 01215943 | NMLS # 1850
Maggie O’Connell: California Department of Real Estate Lic # 01151456 | NMLS # 279499
Office NMLS#’s: Livermore #396955 | Sacramento # 396957 | Sonora # 828574
Licensed by the Department of Corporations under the California Residential Mortgage Lending

675 Sierra Rose Drive #113 Reno, NV 89511

American Pacific Mortgage License #164 / #45747 NMLS #1850/ #279499

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