You can buy a home that has everything you imagine

Home Equity Conversion Mortgage for Purchase: A strategic home financing tool that allows you to purchase the home you want while preserving your nest egg

Inside, you'll find:

Available exclusively to homebuyers age 62 and older, the Home Equity Conversion Mortgage (HECM) for Purchase is a Federal Housing Administration (FHA)-insured* program that's specifically designed to help you buy the home that you want at this point in your life—while preserving more of your savings and investments.

This guide can help you get the facts you need to make an informed decision about whether HECM for Purchase financing is right for you. You'll learn how it works, what your options are, and how homebuyers are using it today.

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What is HECM for Purchase?

You've worked hard to get to this point. Now you'd like to live in a home that fits your needs today, and get comfort and financial peace of mind for the future. But maybe you don't think you can afford to move because of your financial obligations, income, or other reasons.

Fortunately, there's an established financing option specifically for homebuyers who are age 62 and older that can help you get the funds you need to buy the home you really want.

Insured by the FHA,* the HECM for Purchase program enables you to buy a home by combining a one-time monetary investment of funds (a down payment)—typically 45% to 62%** of the purchase price— with loan proceeds from a HECM to complete the transaction. The money must come from assets you already own, and not from another loan. Typically, people use things such as money from the sale of their current home; funds they have in a checking, savings, CD or retirement account; or another investment.†

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** This down payment range assumes closing costs will be financed into the loan. The information being displayed is for illustrative purposes only. Actual cash required may vary and is based on age of youngest borrower, interest rate, home value, and other factors. Please contact us for details about credit costs and terms

†Subject to certain restrictions. This is not an exhaustive list of all acceptable sources.

Unlike a traditional mortgage, monthly principal and interest payments are optional. This gives you greater flexibility and control over your finances. You own the home as long as you live in it, and the loan does not have to be repaid until you move out, sell the home, or pass away, as long as you meet your loan obligations. This means keeping current with property taxes, insurance and maintenance.

What kind of home can you buy with a HECM loan? Single-family homes, townhomes, and FHA-approved condos are all eligible under the HECM for Purchase program. However, you must use the home as your primary residence; vacation homes and investment/rental properties do not qualify.

How can you use HECM financing to buy a home? Here's an example.

Keep more cash. Enjoy financial flexibility. John and Colleen, both 70 years old, decided to move closer to their children and grandchildren. They owned their existing home free and clear, and netted approximately $450,000 after all the selling expenses.

They found a very attractive active adult community that's only about 15 minutes from their children and grandchildren, where they purchased a home that they love for $400,000.

John and Colleen had planned on using the cash from the sale of their existing home to buy the new one, and intended to add the remaining $50,000 to their retirement accounts. But their financial advisor introduced another option: Use a HECM for Purchase loan to help finance the purchase, in order to keep more of the cash from the sale of their home. Based on their ages, here's how it worked:

- After rolling closing costs into the loan, they received $158,655 from the HECM
- They brought $241,345 to the closing table, which they used from their sales proceeds of their former home
- By using the HECM for Purchase financing option, they were able to add $208,655 to their retirement accounts—instead of the $50,000 originally planned
- And the HECM's flexible repayment feature gives them greater financial control over their cash flow for their other living expenses

In short: John and Colleen now live in the home and location they wanted, were able to keep significantly more cash than they originally planned, and are enjoying more comfort and financial flexibility in retirement.

The example shown is for illustrative purposes only. The estimates shown are based on a Maryland property and the HECM Fixed-Rate product as of August 2018. Assumptions include a purchase price of $400,000 and a 70-year-old borrower. The interest rate is 5.06% (5.839% total annual loan cost over 15 years). In this example, closing costs include an origination fee of $6,000, third-party closing costs of $13,344.95 depending on purchase price or appraised value, and an up-front FHA Mortgage Insurance Premium of 2% depending on purchase price or appraised value. Interest rates and funds available may change daily without notice.

How the buyer's required down payment is determined

The minimum required down payment is based on the age of the youngest borrower. To calculate a buyer's down payment amount, we take:

- The value of the home being purchased (the sales price or appraised value, whichever is less)
- Add any loan or home purchase closing
- Then subtract the available HECM loan proceeds

The buyer's minimum required down payment generally works out to be about 45% to 62%* of the sale price. This calculation is determined by the Department of Housing and Urban Development (HUD).†

These are age-based loans that allow older borrowers to qualify for more in loan proceeds, and therefore have a lower minimum down payment amount (see chart below).

HECM for Purchase minimum required down payment amount examples

	Purchase Price:	**$350,000**	**$400,000**	**$450,000**	**$500,000**
		*Down Payment Required**	*Down Payment Required**	*Down Payment Required**	*Down Payment Required**
Age	**62**	$217,875	$249,000	$280,125	$311,250
	67	$205,625	$235,000	$264,375	$293,750
	71	$198,625	$227,000	$255,375	$283,750
	75	$189,175	$216,200	$243,225	$270,250

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How it’s different

Traditional Mortgage

A traditional mortgage limits the amount you have to invest up front, and lets you build equity over the life of the loan. However, the monthly principal and interest payments reduce your cash flow, and could be an unwelcome financial burden.

HECM for Purchase

With HECM financing, monthly principal and interest payments are optional. Of course, as the homeowner you must meet your obligations to keep current with property taxes, insurance and maintenance. Interest accrues on the loan balance; so it increases over time, rather than decreasing, if you choose not to make monthly principal and interest payments.

With HECM for Purchase, you build less equity—but unlike a traditional mortgage, as the borrower you’re never at risk of owing more than the home is worth at the time of repayment. And the flexible repayment feature gives you greater financial control.

Comparing three ways to purchase a new home:

	1 ALL CASH	2 TRADITIONAL MORTGAGE	3 HECM for PURCHASE
Why?	■ You own the home free and clear	■ Option to make a minimum down payment and limit upfront investment ■ Builds equity as you pay down the loan	■ Flexible repayment feature: Monthly principal and interest payments are optional* ■ Gives you the ability to buy the home you really want ■ Allows you to keep more assets to use as you wish
Why Not?	■ Ties up a large portion of your money	■ Monthly mortgage payments diminish your cash flow	■ Your equity in the home decreases if principal and interest payments are deferred, as the loan balance increases over time due to interest ■ Requires a larger down payment than the traditional mortgage option

*For the loan to remain in good standing, borrower must keep current with property-related taxes, insurance and upkeep.

The requirements are simple and straightforward

- You must be age 62 or older
- The home you're purchasing must be your new primary residence, and must meet certain FHA* property standards
- Your monetary investment must come from a source allowed by the U.S. Department of Housing and Urban Development (HUD),* and the funds must not be borrowed. Sources that HUD allows include:†

  —Sale of a currently-owned asset, such as your current home

  —Money you've had for at least 90 days from your checking, savings, investment or retirement account or a CD

  —"Gift funds" from a family member—with a HUD-required letter from the giver stating that there's no expectation of repayment

  †This list is meant to provide common examples, and is not an exhaustive list of all acceptable sources.

- The FHA* requires that all HECM applicants complete a reverse mortgage counseling session with an independent, third-party counselor, in person or by phone. It's for your protection, to make sure that you fully understand the terms of your loan.
- While monthly principal and interest payments are not required, you'll need to prove adequate sources of income to assure the lender that you'll be able to meet your ongoing obligations to pay property taxes, property insurance and any homeowners association fees, and for upkeep of the property

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How can you use HECM financing to buy a home? Here's an example.

Good things come to those who don't have to wait.

Mary is 65 years old. Many of her friends moved to a new, low-maintenance lifestyle community and Mary was eager to join them. But she didn't want to add the burden of a monthly mortgage payment—or to spend $350,000 in cash to buy the home free and clear. She was forced to consider less expensive homes nearby.

Fortunately, a friend told her about HECM for Purchase loans. Mary discovered that with this option, she only needed to invest about 57% of the purchase price.† This allowed her to upgrade to a more comfortable lifestyle and keep more of the money from the sale of her former home, while having the option of making no monthly principal and interest payments if she so chooses. (As with any mortgage, she will need to keep current with property taxes, insurance and maintenance.)

As a result, Mary is thrilled that she was able to move into her new home right away—and she will be able to wait until her 70th birthday to draw Social Security to get the maximum monthly benefit.**

**Consult a financial professional. Visit www.ssa.gov.

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Answers to your questions

When you use HECM financing, who owns the home?

You do—the home's title is in your name, just like any other type of mortgage loan. The loan is secured by a lien on the home.

What's the benefit of FHA insurance?

Federal Housing Administration (FHA) insurance* provides a HECM's non-recourse feature. That means you, your heirs, and your estate are not responsible for any loan balance that exceeds the value of the home at the time the loan is repaid.

When does the loan become due?

There's no set number of years, or loan balance. It becomes due and must be repaid when the last surviving borrower (or qualified non-borrowing spouse) passes away or no longer lives in the home as their primary residence; if they sell the home; if they leave the home for 12 consecutive months due to physical or mental illness; or if they default on the loan by failing to pay property taxes, homeowners insurance or homeowners association fees, or let the home fall into disrepair.

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How is it possible to have an optional monthly loan payment?

HECM loans offer a flexible repayment option: You can pay as much or as little as you like each month toward the principal and interest— or make no monthly loan payments at all. The interest charged by the lender is simply added to the loan balance, along with the FHA mortgage insurance premium. The total loan balance (the starting amount plus interest and the monthly mortgage insurance premium) is paid off in full when the home is sold, or when the last borrower passes away or permanently leaves the home, or upon a default event. Even though monthly loan payments are optional, you will still have to keep current with property taxes, homeowners insurance, any homeowners association fees and maintenance.

Why do I need counseling?

The FHA requires that all HECM applicants complete a counseling session with an independent, third-party HECM counselor, in person or by phone. The counselor will ask you questions, and answer those that you have, to make sure you understand all aspects of your loan. Afterward, you'll receive a counseling certificate to show that you've completed the session and can move forward with your application.

Is this a new loan product?

No. Home Equity Conversion Mortgage loans have been around since 1989, and the U.S. Department of Housing and Urban Development (HUD) approved the use of HECMs to finance the purchase of a new primary residence in 2008. However, many people are still unaware of this option, which is why we are trying to get the word out about this useful loan program to as many eligible adults as possible.

HECM for Purchase at a glance

What

- An FHA-insured* mortgage loan
- Designed to help people age 62+ to buy a home while being able to conserve cash and help in planning for retirement

Why

- Flexible repayment feature: Monthly principal and interest payments are optional (For the loan to remain in good standing, borrower must keep current with property-related taxes, insurance and upkeep)
- Can increase your cash flow and help you keep more of your assets, compared to a traditional mortgage or paying all cash
- Can make it easier for you to purchase the home you really want

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Let us help you live the retirement you've always imagined, in the home you want.

EQUAL HOUSING OPPORTUNITY

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