

Example A

Selling An Existing Home

- Mr. Jones is 62 currently lives in a home he has lived in for 10 years. The home was recently appraised for \$250,000 and Bob is pretty confident he can sell it for that much. He still owes \$50,000 on his 30-year mortgage so he has \$200,000 in home equity.
- Mr. Jones wants to move and has found a \$300,000 property that he likes.
- If Mr. Jones sells his home and applies his \$200,000 in home equity to buy the \$300,000 property, he will be short \$100,000. So he decides to use a HECM for Purchase to make up the \$100,000 difference.
- A HECM for Purchase can used to upsize or downsize.
- Mr. Jones knows that at age 62, he is eligible to borrow approximately \$165,000 on the \$300,000 property with the HECM purchase program.
- So Mr. Jones buys the property using \$200,000 from the sale of his home, \$100,000 from the HECM for Purchase, and keeps \$65,000 left over in the reverse mortgage credit line.
- Mr. Jones now owns his \$300,000 home and has no mortgage payments.

Example B

Purchasing A New Home

- Mrs. Smith is 70 and is currently renting but wants to buy a new home. She has saved up \$100,000 towards buying property.
- The home Mrs. Smith wants to buy is going to cost \$250,000 so she is short \$150,000.
- Mrs. Smith decides to take out a HECM for Purchase. At her age, she can borrow approximately \$150,000 on a \$250,000 home.
- Taking the full \$150,000 from the HECM for Purchase and \$100,000 from her savings, she is able to buy the home.
- Mrs. Jones now owns her \$250,000 home and has no mortgage payments.

Qualifications

- If the homeowner is using cash (instead of the sale of their existing home) to make-up the difference, that **cash must be "seasoned" for 60 days**.
- Cash from a gift is not acceptable.
- To prove that the homeowner has "eligible funds" for the closing, any of the following documents can be provided:
 - Letter of Verification of Deposit from the bank
 - Proof of liquidation of retirement assets
 - Deed of sale
 - HUD1 home sale statement

The Property Must be the Primary Residence and can be:

- 1-4 Units

- Condominiums
- Fully-Completed (With Certificate of Occupancy or Equivalent)
- Land Contracts are Acceptable

Ineligible Property Types Include:

- Cooperatives.
- Homes without a Certificate of Occupancy or its Equivalent.
- Boarding Houses.
- Bed-and-Breakfast Establishments.
- Existing Manufactured Homes Built before June 15, 1976.
- Existing Manufactured Homes Built after June 15, 1976, that Fail to Conform to the Manufactured Home Construction Safety Standards or Lack a Permanent Foundation.

What if your home needs repairing?

Most repairs aren't critical but major ones have to be taken care of before the deal can close:

- Critical health and safety, and structural integrity issues must be repaired.
- Repairs to the seller's home must be completed prior to the closing and must be provided for by the seller.
- The buyer cannot pay for any repairs before they own the home.
- The repairs must be included in the purchase agreement.