What is a HECM for Purchase?

A financing option specifically for home buyers who are age 62 and older that may help you get the funds you need to buy the home you want.

It enables you to purchase a home by combining a one-time investment of funds with loan proceeds from a HECM to complete the transaction. The home you are purchasing secures the loan.

Unlike a traditional mortgage, there are no monthly mortgage payments for the life of the loan, which can help boost your cash flow. You own the home as long as you live in it. The loan becomes due if you pass away; sell your home; no longer live there as your primary residence; or fail to meet your responsibilities to maintain the property, purchase home owners insurance and pay property taxes.

What kind of home can you buy? Single-family homes, town homes and FHA-approved condominiums are eligible under the HECM for Purchase program. The home must be your primary residence.

How does it work?

The HECM for Purchase program requires an up front investment (down payment) from the buyer of about 45% to 55% of the purchase price. The down payment must come from assets you already own – such as money from the sale of a current home or investment or funds you have in a checking, savings, CD or retirement account-not another loan.

How is it different?

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 can be an unwelcomed financial burden.

Reverse Mortgage: The minimum required investment is based on the youngest borrower. To calculate a buyer's minimum required investment, we take the value of the home being purchased (the sales price or appraised value, whichever is less), and subtract the available HECM loan proceeds. It generally works out to about 45% to 55% of the sale price. This calculation is determined by the Department of Housing and Urban Development (HUD).** We then subtract the HECM loan closing costs.

Example (**Based on 50% of the Purchase Price)

Value of Home Being Purchased	$300,000
HECM Loan	$150,000**
HECM Loan Closing Costs (varies)	$9,000
FHA Insurance (2% of Appraisal)	$6,000
Available HECM Loan Proceeds applied to the purchase	**$135,000****
Buyer's Minimum Required Investment for a $300,000 home reduces to	**$165,000**

HECM for Purchase: Requires no monthly principal and interest payments throughout the life of the loan.* Interest and fees are added to the HECM loan balance so that it increases over time, rather than decreasing. As with any home secured loan, you remain responsible for property taxes, insurance and home maintenance.

COMPARING THREE WAYS TO PURCHASE A 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	• No monthly payments of principal & interest* • Gives you the flexibility to get 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 as the loan balance increases over time due to interest • When the loan comes due, you or your heirs must pay off the loan to keep the home

*Borrower is responsible for property taxes, home owners insurance and property maintenance in order for the loan to remain in good standing. A HECM is a home-secured loan that must be repaid upon default or a maturity event such as when the home is sold, all home owners have passed away or the last surviving borrower no longer lives there as their primary residence.