

# PURCHASE HECM

A guide to reverse mortgage's for home purchase

All Reverse Mortgage Company  
(888) 801-2762 Ext 1

# What's Enclosed

- ✓ What is a Purchase Reverse Mortgage?
- ✓ Case Studies (4 Examples)
- ✓ Frequently Asked Questions and Common Misconceptions.
- ✓ Who Is All Reverse Mortgage Company and What Will We Do For You?
- ✓ Application
- ✓ What do Experts Say About Reverse Mortgages?

# Introduction...

3

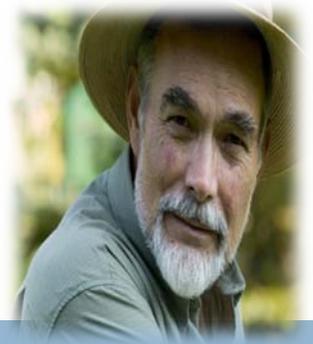
## Considering Purchasing a new home?...

with a Federally Insured **Purchase Reverse Mortgage**, you can purchase real estate **without a mortgage payment!**

This is exciting news to Senior Americans who have wanted to downsize, upsize, move closer to family and friends, move into senior communities for the activities or amenities they offer, or for those who find that their current home simply does not meet their needs any longer.



# Continued...



4

Many senior borrowers are set with their current homes and have no desire to move. However, there are also a growing number who need to downsize, have decided that their current home just doesn't fit their needs and can't easily be altered to do so (like wheel chair access or multiple stories which cannot be made into a single) or have amenities that they wish to get away from that they no longer desire (like large lots with pools and excessive landscaping, etc).

Some wish to keep their current homes but want a second home near children and grandchildren, near favorite activities, or in climates more favorable during certain times of the year. But with no steady income streams and the fear of starting again with mortgage payments, many have thought that they just can't buy the properties they want.

Some are *almost* in a position to buy these homes, but it would take all their available savings and they do not want to use all their funds. The reverse mortgage has become an excellent tool for these seniors to purchase the homes they desire without qualification requirements and with no payments for life – all without having to pay for the homes in cash.

# Case Studies



The purchase program was announced by HUD in October of 2008, and was to have taken effect on January 1, 2009. HUD has since announced that there will be other “clarifications” issued but in the case studies that follow, we have taken the best numbers available at this time and outlined how these borrowers’ transactions will look under this new program.

These are actual borrowers with whom we are working right now and these are their circumstances. Their names have been changed, but the good results they expect to receive as a result of the Reverse Mortgage loans they are in the process of obtaining are their actual scenarios. Take a look to see how these borrowers will benefit from their Reverse Mortgage and also the thought process behind their decisions. We start with some raw numbers.

**Visit our Purchase Reverse Mortgage Calculator at:**

**[www.allrmc.com](http://www.allrmc.com)**



# Case Study 1

John & Sue Ages 72, 76  
Garden Grove CA

John and Sue own their home free of mortgage liens valued at approx \$400,000 in Garden Grove CA. John and Sue have a modest income which consists of a combination of social security and a pension. John has begun to look into long term health care insurance, but as is the case with so many seniors, their 401k / retirement is not adequate for the long term health care policy they desire to fulfill their goals. He has begun to look at several options for their future.

## Option #1 – Stay in Garden Grove Home for Life

By utilizing a Reverse Mortgage on his current residence valued at \$400,000, John and Sue will have \$260,000 available as Cash to purchase a long term care policy and augment their lifestyle. However, staying in their current home would require major improvements and modifications to the home. These improvements will be costly. There was a time when John and Sue loved this home, but now see the neighborhood changing; and they find that with almost all younger families, they no longer fit in.

## Option #2 – Purchase Reverse Mortgage

As stated in Option #1. John and Sue have been looking at a lower level condominium in North Tustin with no exterior maintenance, occupants more in their age range and what they feel is a more desirable area. John and Sue would love to relocate to the North Tustin Condominium, but they just don't see how they could afford to do that...until we now look at a Purchase Reverse Mortgage.

## North Tustin Condominium: Purchase Price \$400,000

Based on the youngest borrower's age John and Sue would be required to make a down payment of \$140,000. The Purchase Reverse would allow them to make the down payment and then keep the remaining cash from the sale of their Garden Grove property. After costs and relocation, John and Sue should have between \$240,000 and \$260,000 to fund their Long Term Health Care and augment their active lifestyle – and possibly more depending on real estate commissions on the sale and purchase.

By utilizing a Purchase Reverse Mortgage John and Sue have effectively relocated to a home that better suits their future needs (less maintenance and no repairs needed), have found a way to fund their long term health care, and have given their Realtor a chance for the listing and sale commission...all without adding a mortgage payment to their monthly expenses.



## Case Study 2

Jack and Dianne - Ages 70, 71  
Anaheim, CA

Jack and Dianne own a home in Anaheim, CA valued at \$550,000 (and they are extremely upset because just 2 years ago, it appraised for \$850,000). Jack and Dianne are two very “young” seniors and at age 70 and 71, they both enjoy golf, bowling, Dianne dances and Jack loves to fish. They find themselves traveling to the desert areas often for the recreation it affords to them with their senior friends. They would love to move out to the desert, but can’t see themselves doing it while home prices are depressed.

### Option #1 – Stay in Anaheim until the market rebounds then sell

By utilizing a Reverse Mortgage on his current residence valued at \$550,000 Jack and Dianne will receive \$264,000. They have spent several afternoons visiting open houses while out in Palm Desert and have found several condominiums that were once only a dream of retirement up for sale at bargain prices, two very near golf courses. A second home was once a dream they felt they could not afford as they were unwilling to commit all their liquid assets to the purchase and if they did not, they were afraid of the payments. Using a reverse mortgage on the current residence, they can take advantage of the current prices in Palm Desert and Jack will have the ease of mind knowing he doesn’t have to sell his at a time when he knows in his heart he would not receive its true worth.

### Option #2 – Purchase Reverse Mortgage

The second option for Jack and Dianne is to utilize the Purchase Reverse Mortgage and purchase the show place they really would love to have and sell their current residence in Anaheim. The couple this example is written about (not really named Jack and Dianne) are beaming now because they just found a place in Palm Desert, on the golf course they love, and they say they can now get a place they only dreamed of getting before. The townhouse/condo is over 2500 square feet and with the bedrooms and baths. They say there’s no way they could have gotten this home before.

### Palm Desert Townhouse: Purchase Price \$495500

Based on the youngest borrower’s age John and Sue would be required to make a down payment of \$230,000 leaving them \$320,000 cash which Jack and Dianne say they are going to put aside so that they always have adequate reserves for HOA dues (paradise comes with a price tag) and still have enough to buy their own golf cart and for Dianne’s dance lessons!

By utilizing a Purchase Reverse Mortgage, Jack and Dianne have effectively relocated to their dream home while removing the sting of the down market.



## Case Study 3

Emily B. Ages 75

Rancho Santa Margarita, CA

Emily owns her home in Rancho Santa Margarita (RSM) and has since she and her husband bought it 15 years ago. Emily's husband died last year and Emily no longer wants to live in this home all alone and with her family all living down in San Diego. Emily does not own her house free and clear though, and after her husband's illness and death, Emily does not have sufficient cash assets to buy another house without having to get another mortgage. While Emily has never been late on a bill in her life, she has only limited income now, the pension she and her husband were receiving was from his employment and now that he is deceased, that income has stopped. Emily is very frugal, but she still finds that she now has to go into her shrinking savings monthly to pay her mortgage and live.

---

### Option #1 – Sell her home in RSM, move to San Diego and rent

Emily's home in RSM is valued at \$525,000 but she owes \$370,000 from the loan they took when her husband first became ill 3 years earlier and she cannot qualify for a reverse mortgage to stay in the home. Her savings are shrinking monthly just to make the payments so to stay would only delay the inevitable, that she has to leave the home, and the longer she waits the less savings she has left.

### Option #2 – Purchase Reverse Mortgage

The second option for Emily is to utilize the Purchase Reverse Mortgage and purchase the smaller home for which she can qualify for a Reverse Mortgage in San Diego near her sister and her sister's family. Emily and her husband have always owned a home and the thought of renting an apartment was heartbreaking for Emily, but she soon found out that with just her limited income, even with the large down payment she could make after the sale of the RSM property, she would never qualify for a new mortgage and she did not have enough equity to buy a new place in San Diego and replenish her savings. A Purchase Reverse Mortgage will make that possible for Emily.

### Rancho Bernardo Area Senior Condo: Purchase Price \$299,000

Emily will be within 5 minutes of her sister in a 55+ community in a single story project. Emily is eligible for \$200,261 and will receive about \$115,000 from the sale of her RSM property. Emily will have all the funds she needs from the sale of her RSM home to buy in San Diego but had many other properties to choose from if a lower price was needed.

---

By utilizing a Purchase Reverse Mortgage, Emily was able to purchase again near her family, keeping her independence when that option would have been lost to her based on her inability to qualify for a conventional, forward mortgage.



## Case Study 4

“Grandpa and Grandma” Ages 83, 86  
Cerritos, CA

For the purpose of this example we'll call the borrowers GG for Grandma and Grandpa. GG are set in their home, it's paid in full and they do not want to move. They both retired from good jobs (not that common for their ages) years ago and are receiving generous pensions, plus their Social Security. Grandma and Grandpa do not need a reverse mortgage to aid in their daily lives and therefore would not normally be considered good candidates. However, recently GG became aware that their two grandchildren who had recently graduated from college were much closer to becoming homeowners than they realized.

### Option #1 – Wait for their passing and then leave grandchildren money

GG's son is an engineer for Boeing, he and his wife make a very good living, and are not far from retirement themselves. He is not in need of the inheritance from the passing of his parents and plans to use any inheritance to allow his children, their grandchildren to purchase their own homes. After long thought, GG are not wild about this option because they know the homes are more affordable now than they are likely to be in the future and they would love to be around to see their grandchildren in the homes they were able to buy with the money left to them.

### Option #2 – GG can get a Reverse Mortgage now and put their equity to work

GG decided to get a reverse mortgage on their home and let the grandchildren use the funds for their down payments now. The borrowers receive \$312,434 on the fixed rate option since they choose to receive all the funds up-front, and they split the funds between the two grandchildren. The grandchildren are able to put enough money down to buy excellent properties and keep their payments at a manageable level.

### Cerritos Home Value \$450,000: Reverse Mtg. Proceeds \$312,434 - \$156,217 each

Being new homeowners, both decide to put about \$100,000 down on small but upgraded homes in Long Beach near their respective places of employment. One reverse mortgage for GG has enabled two grandchildren to become homeowners.

Grandma and Grandpa are happy to see their grandchildren buying their own first homes and are happy in the knowledge that they were instrumental in helping them do so. GG have used a release of equity to enable their grandchildren to purchase in their lifetime while not adversely affecting their own lifestyle.

# Purchase Reverse Mortgage FAQ

New to the Family of HUD programs there are a lot of questions about the Purchase HECM. All Reverse Mortgage Company has the answers for you.

Here are some of the more common questions and their answers. If you have other questions, please feel free to give us a call:

**Toll Free (888) 801-2762**



**Visit our Purchase Reverse Mortgage Calculator at:**

**[www.allrmc.com](http://www.allrmc.com)**



# Top FAQ's

11

□ **Q. What is Purchase Reverse Mortgage?**

A Reverse Mortgage for Purchase allows seniors, age 62 or older, to purchase a new principal residence using loan proceeds from the HECM (Home Equity Conversion Mortgage)

□ **Q. What is the purpose of the program?**

The Purchase Reverse Mortgage program was designed to allow seniors to purchase a new principal residence and obtain a reverse mortgage within a single transaction by eliminating the need for a second closing. The program was also designed to enable senior homeowners to relocate to other geographical areas to be closer to family members or downsize to homes that meet their physical needs, i.e., handrails, one level properties, ramps, wider doorways, etc

# FAQ's - continued



12

## □ **Q. What is the Down Payment Requirement?**

The program is based on a number of factors and a calculator is used to determine eligibility. You can go onto the calculator on our website at [www.allrmc.com](http://www.allrmc.com) or a trained specialist can tell you exactly what you and your property will qualify for.

## □ **Q. Can prospective seniors obtain a secured or non-secured loan from another asset (i.e., car, home equity line of credit, or investment property or second home) to satisfy the monetary investment or closing costs?**

No. Consistent with existing policy, bridge loans and other interim financing methods associated with HECM transactions are prohibited, unless the unpaid or outstanding obligation can be satisfied prior to or on the day of closing.

## □ **Q. When do we or our heirs have to pay the loan back?**

You can live in the home payment-free as long as you live in the home, pay your taxes and insurance and maintain the home in a reasonable fashion. The loan becomes due and payable when the last remaining spouse no longer occupies the home or you sell your home. You or your heirs are afforded an ample time period to repay the obligation.

# FAQ's - continued



13

□ **Q. Does the bank own my home?**

No. You and your heirs always own your home just like any other loan.

□ **Q. Are seller concessions allowed?**

No. Seller concessions are applicable to forward mortgages only

□ **Q. When purchasing a new primary residence, if the Purchase Reverse Mortgage proceeds do not cover the sales price, can part or all of the property's indebtedness be subordinated behind the first and second HECM liens if the existing lien holder is willing to execute a subordinate agreement?**

No. All existing liens must be satisfied at the HECM closing.



# FAQ's - continued

14

- **Q. What happens if we live a long time and after all the interest, we or our children owe more than the house is worth when it is time to pay off the loan?**

Part of the HUD insurance guarantees that you and your children will never have to pay more than the property is worth in a bona-fide sale.

If you or your heirs attempt to sell the home after your reverse mortgage and an arms-length sale nets less than the amount owed on the reverse mortgage, you or your heirs will not be responsible to pay that portion which the sale did not cover.

- **Q. Can I/we hold title in a trust?**

Yes, as long as the trust meets HUD guidelines. If you have a trust, let your All Reverse Mortgage Company specialist know right away so we can have your trust reviewed and approved immediately so there are no surprises later. Most trusts do get approved as trust attorneys are aware of lending guidelines and follow them when crafting their clients' trusts, but occasionally we do run into those that do not meet HUD guidelines and most of those can be resolved quickly and easily with your, and your attorney's, cooperation.

# FAQ's - continued



15

□ **Q. Does FHA have special eligibility requirements for first-time homebuyers?**

No. FHA encourages all first-time homebuyers to meet with a reverse mortgage counselor that offers pre-purchase counseling to educate themselves on the responsibilities of becoming a homeowner.

Prior to signing a sales contract, FHA encourages a home inspection of all properties that will serve as collateral for HECM for purchase transactions. The inspection serves two purposes, to determine the magnitude, if any, of repairs and/or rehabilitation the home as well as helps the buyer to negotiate the purchase price in situation where a home requires repair or rehabilitation.

# Who is All Reverse Mortgage Company?

A dedicated team of professionals, passionate about the borrowers with whom we work.

16



**Trusted & Highly Experienced Reverse Mortgage Lenders**

---

**Approved by HUD** (Housing and Urban Development)

---

**AAA Members of the BBB** (Better Business Bureau)

---

**Proud Members of NRMLA** (National Reverse Mortgage Lenders Association)

- The team of professionals at All Reverse Mortgage Company is dedicated to you and Reverse Mortgages. We are passionate about the product and the good it has done for the borrowers we serve. We believe in the seniors' rights to age in dignity and at home if that is their desire. When asked if we would ever advise one of our own relatives to get a reverse mortgage, we proudly state that we have helped several family members obtain their own reverse mortgages.
- Our processors hold the HUD "DE" designation, for Delegated Underwriter, from the loans they underwrote and insured on the forward and reverse side for HUD. Our entire staff has worked tirelessly with seniors to get approvals on projects previously thought un-approvable, to modify existing terms when possible and to close some loans in under 8 days to avoid foreclosure sale.
- Because of the depth of our knowledge and experience, we have been able to do many loans previously denied by some of the biggest reverse mortgage lenders in the nation. There is only one HUD HECM program and all lenders are subject to the same HUD rules...so the specialists with the broadest experience and the greatest willingness to help their borrowers have the ability to get the most loans through in the quickest time frame.
- Finally because of our dedication to this product and our belief in the rights of our senior borrowers to receive quick and honest answers to all your questions, we commit to you that we will never pressure you to make a decision which is not right for you, we will never try to cross sell you another product and we will listen to you and your concerns and then proceed as you see best. We promise to put all our experience and resources to work for you to help you put your equity in reverse to keep your life moving forward!

# How do I get a Reverse Mortgage?

You already took the biggest step by contacting us and now we can begin the application process.

**Toll Free (888) 801-2762**



Visit our Purchase Reverse Mortgage Calculator at:

[www.allrmc.com](http://www.allrmc.com)



# Application

- We prepare all the disclosures for your signature. Being a government program there are many forms to sign but they are required both in the beginning and when you close your loan.
- We will give you a choice of counselors from which you must attend HUD counseling. HUD will not allow us to perform even one function which may cost you money until you have spoken with a third party counselor approved by HUD to perform HECM counseling. This can be done either face-to-face or by phone and will take approximately 45 minutes to an hour.
- The processing specialist at All Reverse Mortgage Company will get a copy of your counseling certificate and then work with you and a HUD approved appraiser to schedule a time to have your home appraised. While the appraiser is preparing his report, the processor is working with escrow, title and all other parties to put your loan package together for submission to the underwriter.
- Your loan is underwritten and approved and all title concerns are addressed. The loan moves to the loan closing phase where the closers will prepare your loan documents and forward them to your closing officer.
- All Reverse Mortgage Company is still with you to answer any questions or to help you with anything you may need. All you need to do is give us a call and we would love to help your friends or family as well.

# Reverse Mortgage Resources

19

Here are some resources for you and some websites you may want to visit. We are passionate about this product and have seen all the good it has done for senior borrowers but see what some notable senior advocates and others have to say...



<http://www.aarp.org/money/revmort>



<http://www.hud.gov/offices/hsg/sfh/hec m/rmtopten.cfm>

**Los Angeles Times**

<http://articles.latimes.com/2008/feb/24/ realestate/re-reverse24>



[http://online.wsj.com/article/SB12026031 2210756721.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB12026031 2210756721.html?mod=googlenews_wsj)



<http://www.reversemortgage.org>

© Copyright - All Reverse Mortgage Company

Toll Free (888) 801.2762 / web [www.allrmc.com](http://www.allrmc.com)