What is the HECM for Purchase (H4P)?

Prior to 2008, many older homeowners that wished to relocate would need to purchase their new home using traditional financing, season their residency in the home, and then refinance with a reverse mortgage later.

Now, a Home Equity Conversion Mortgage (HECM) may be used to purchase a primary residence, and we call this option a *HECM for Purchase* or H4P. This pathway was created to allow homeowners age 62 and older to purchase a home and obtain a reverse mortgage in a single transaction. The H4P can eliminate costs, hassle, and time, making it easier for older homeowners to relocate.

It also increases the buyer's purchasing power because the lender can finance a portion of the sales price. We find this assists homeowners with three broader goals:

1. **Many want to <u>RELOCATE</u> to be closer to family members**
2. **Many need to <u>DOWNSIZE</u> (or right-size) to homes to match their needs**
3. **Many want to <u>UPSIZE</u> to their dream home for retirement**

The principal amounts that the lender can offer are the same as with traditional reverse mortgages. The primary difference is that the client has no existing equity, and will therefore need to bring the remaining funds to closing. But now they can relocate and have no monthly principal and interest mortgage repayments obligations.

BASIC GUIDELINES:

<u>Occupancy</u>
Because HECMs are specifically designed for a principal residence, the homeowner must establish their occupancy in the home within 60 days.

<u>Disposition of their existing home</u>
Most H4P borrowers are selling an existing home and using a portion of those proceeds in the purchase of the new property. For homeowners that wish to keep their existing home, the underwriter will examine the borrower's capacity to pay ALL property charges.

<u>New Construction</u>
The application may now be taken before the home is complete and before the Certificate of Occupancy (CO) issued. However, the CO must be issued before the loan is submitted for endorsement and must be included in the case binder.