



Home Purchase Reverse Mortgage Down Payment Requirements

Starting January 1, 2009, FHA will begin to insure reverse mortgage loans for purchases. What does this mean? Senior borrowers age 62 and over can now purchase a home using a reverse mortgage rather than a traditional forward mortgage. This is great news to seniors who have had a desire to purchase a new home but felt they could not either due to their credit, their income, they did not want to have to start making payments again at this stage in their lives or a myriad of other reasons.

What does this really mean for senior borrowers?

We have heard many senior borrowers who loved their homes and never wanted to leave it. We have heard from almost as many who told us that they found their existing home just did not suit their needs any longer but they could not see any way of moving to a new home so they felt that they either had to remain in the home with which they no longer felt comfortable or their only other option was to sell it and rent an apartment somewhere and that option just was not very appealing to them.

The purchase reverse mortgage program allows borrowers to purchase a new home, they do not have to pay for the entire home with cash and they never have to make a mortgage payment for as long as they live in the property. There is no income or credit qualification (other than HUD's requirement that the borrower's must be able to maintain their home and pay the taxes and insurance and cannot be delinquent on federal obligations or currently in bankruptcy) and the Home Equity Conversion Mortgage (HECM or "HECK-um") for purchase can be used with all the same property types that the refinance HECM programs currently accommodate.

One thing that HUD did for seniors that will really help them in this market is that they are determining the down payment requirements solely on the appraised value, rather than the normal FHA method of the appraised value or the sales price, whichever is less. This may not sound like much of a concession at first, but stop and think about a property which must be sold quickly in this market which still appraises for a higher value.

HUD is willing to allow the senior buyer to gain the benefit of the higher appraised value which may significantly, or in some cases even eliminate, the down payment requirement. This leaves more of the senior's funds available to the senior as disposable assets.

Source: <http://www.allrmc.com>

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Purchase Reverse Mortgage Top FAQ's

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 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. It 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.

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.

Q. Does the bank own my home?

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

Q. Are seller concessions allowed?

No. Seller concessions are applicable to forward mortgages only.

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